



Members of the Board

Charlene Haught Johnson, Chair
Anthony J. Intintoli, Jr., Vice Chair
Gerald Bellows
Beverly Johnson
John O'Rourke

**MEETING AGENDA FOR THE
WETA BOARD OF DIRECTORS**

Thursday, July 15, 2010 at 1:00 P.M.
San Francisco Bay Area
Water Emergency Transportation Authority
9 Pier, Suite 111
San Francisco

The full agenda packet is available for download at www.watertransit.org.

AGENDA

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please contact the Board Secretary at least five (5) working days prior to the meeting to ensure availability.

PUBLIC COMMENTS The Water Emergency Transportation Authority welcomes comments from the public. Speakers' cards and a sign-up sheet are available. Please forward completed speaker cards and any reports/handouts to the Board Secretary.

Non-Agenda Items: A 15 minute period of public comment for non-agenda items will be held at the end of the meeting. Please indicate on your speaker card that you wish to speak on a non-agenda item. No action can be taken on any matter raised during the public comment period. Speakers will be allotted no more than three (3) minutes to speak and will be heard in the order of sign-up.

Agenda Items: Speakers on individual agenda items will be called in order of sign-up after the discussion of each agenda item and will be allotted no more than three (3) minutes to speak. You are encouraged to submit public comments in writing to be distributed to all Directors.

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| 1. <u>CALL TO ORDER – BOARD CHAIR</u> | Information |
| 2. <u>ROLL CALL/PLEDGE OF ALLEGIANCE</u> | Information |
| 3. <u>REPORT OF BOARD CHAIR</u> | Information |
| 4. <u>REPORTS OF DIRECTORS</u> | Information |
| 5. <u>REPORTS OF STAFF</u> | Information |
| a. Executive Director's Report | |
| b. Legislative Update | |

Water Emergency Transportation Authority
July 15, 2010 Meeting of the Board of Directors

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|---|------------------------------------|
| 6. <u>CONSENT CALENDAR</u>
a. Minutes June 17, 2010 | <i>Action</i> |
| 7. <u>APPROVE A RESOLUTION OF INTENT TO TRANSITION CITY OF ALAMEDA AND CITY OF VALLEJO FERRY SERVICES TO WETA</u> | <i>Resolution</i> |
| 8. <u>AUTHORIZE THE METROPOLITAN TRANSPORTATION COMMISSION (MTC) TO ALLOCATE A THIRD YEAR INCREMENT OF REGIONAL MEASURE 2 FUNDS TO SUPPORT VALLEJO FERRY SERVICE OPERATION</u> | <i>Resolution</i> |
| 9. <u>AUTHORIZE THE METROPOLITAN TRANSPORTATION COMMISSION (MTC) TO DIRECTLY ALLOCATE FY 2010/11 REGIONAL MEASURE 1 AND REGIONAL MEASURE 2 FUNDS TO THE CITIES OF ALAMEDA AND VALLEJO TO SUPPORT FERRY OPERATIONS</u> | <i>Resolution</i> |
| 10. <u>APPROVE AMENDMENT NO. 1 TO THE AGREEMENT WITH THE M-LINE FOR MARKETING SERVICES</u> | <i>Resolution</i> |
| 11. <u>AUTHORIZE THE ISSUANCE AND SALE OF A \$10,250,000 REVENUE BOND AND EXECUTION AND DELIVERY OF A TRUST AGREEMENT AND BOND PURCHASE CONTRACT AND ALL OTHER NECESSARY ASSOCIATED ACTIONS</u> | <i>Resolution</i> |
| 12. <u>UPDATE ON CENTRAL BAY MAINTENANCE AND OPERATIONS FACILITY</u> | <i>Information</i> |
| 13. <u>RECESS INTO CLOSED SESSION</u> | |
| a. <u>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</u>
Property: City of Alameda ferry terminal related property/assets
Agency Negotiators: Nina Rannells and Keith Stahnke, San Francisco Bay Area Water Emergency Transportation Authority
Negotiating Parties: City of Alameda
Under Negotiation: Terms and conditions to the transfer of property with the City of Alameda for the Alameda Oakland and Harbor Bay Ferry Services | <i>Action
To Be Determined</i> |
| b. <u>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</u>
Property: City of Vallejo ferry terminal related property/assets
Agency Negotiators: Nina Rannells and John Sindzinski, San Francisco Bay Area Water Emergency Transportation Authority
Negotiating Parties: City of Vallejo
Under Negotiation: Terms and conditions to the transfer of property/assets with the City of Vallejo for the Vallejo Baylink Service | <i>Action
To Be Determined</i> |
| c. <u>CONFERENCE WITH REAL PROPERTY NEGOTIATORS</u>
Property: City of Berkeley ferry terminal related property
Agency Negotiators: Nina Rannells and John Sindzinski, San Francisco Bay Area Water Emergency Transportation Authority | <i>Action
To Be Determined</i> |

Water Emergency Transportation Authority
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Negotiating Parties: City of Berkeley
Under Negotiation: Terms and conditions to the cooperative agreement/lease with the City of Berkeley for Berkeley service

14. REPORT OF ACTIVITY IN CLOSED SESSION

Chair will report any action taken in closed session that is subject to reporting at this time. Action may be taken on matters discussed in closed session.

***Action
To Be Determined***

15. OPEN TIME FOR PUBLIC COMMENTS FOR NON-AGENDA ITEMS

ADJOURNMENT

Water Emergency Transportation Authority (WETA) meetings are wheelchair accessible. Upon request WETA will provide written agenda materials in appropriate alternative formats to individuals with disabilities. Please send a written request to contactus@watertransit.org or call (415) 291-3377 at least five (5) days before the meeting. Under Cal. Gov't. Code sec. 84308, Directors are reminded that they must disclose on the record of the proceeding any contributions received from any party or participant in the proceeding in the amount of more than \$250 within the preceding 12 months. Further, no Director shall make, participate in making, or in any way attempt to influence the decision in the proceeding if the Director has willfully or knowingly received a contribution in an amount of more than \$250 within the preceding 12 months from a party or such party's agent, or from any participant or his or her agent, provided, however, that the Director knows or has reason to know that the participant has a financial interest in the decision. For further information, Directors are referred to Gov't. Code sec. 84308 and to applicable regulations.

M E M O R A N D U M

TO: WETA Board Members
FROM: Nina Rannells, Executive Director
DATE: July 15, 2010
RE: Executive Director's Report

PROJECT UPDATES

Service Transition Implementation – The Transition Plan guides the consolidation of the Vallejo, Alameda/Oakland and Harbor Bay ferry services under WETA, and presents a five year financial outlook of WETA operating and expansion activities. The WETA Board of Directors adopted the final Transition Plan on June 18, 2009, in compliance with Senate Bills 976 and 1093 requirements.

WETA and City staffs and legal counsel continue to work on a few remaining issues to include in the Final Transition Agreement with the Alameda. On June 23, the City of Alameda discussed the terms and conditions of the ferry service transfers to WETA with the Alameda public at the Transportation Commission meeting. Alameda staff expects that the Final Transition Agreement will be considered by City Council in early October, with operational transfer of the Alameda ferry services expected by December 31, 2010. Additionally, on July 8, WETA and Alameda staffs met again with the potential developers of Alameda Point to further discuss their development plans, which may include a ferry terminal.

WETA, MTC and City of Vallejo continue to work on addressing the FY 2010/11 budget and funding details, a memo on the subject and request of associated action, will be discussed at this month's meeting. MTC, WETA, City of Vallejo, and staff from the Solano Transportation Authority (STA) will meet on July 12 to discuss regional issues as well areas where WETA and STA may be able to work jointly on issues affecting the ferry and bus consolidations. WETA and City staffs are in the process of establishing regular bi-weekly working groups as well as joint meetings with the new JPA to be established through the bus consolidation.

As requested by MTC, both City of Alameda and Vallejo staffs will be taking a resolution of intent to transition each city's ferry services to City Council for approval in July. The resolutions include a timeline and milestones to drive the transition. MTC has required this action, as SB 1093 requires the Cities to formally commit to transition before any regional measure 2 funds, which are in WETA's name, can be allocated to the cities to fund the operation of the services. MTC is also requesting the WETA Board of Directors to adopt a resolution of intent to transfer, which is on today's agenda.

Emergency Water Transportation System Management Plan (EWTSMP) – This plan sets a framework for WETA coordination of emergency response and recovery efforts using passenger ferries and will provide a detailed definition of WETA's roles and responsibilities for incident planning, response, recovery and restoration of normal operations. The WETA Board of Directors adopted the final Emergency Water Transportation System Management Plan on June 18, 2009, in

compliance with the requirements of Senate Bills 976 and 1093. Preparation of the EWTSMP and the Emergency Operations Plan (agency's internal plan) are complete.

WETA staff, Manager of the Alameda Ferry Services, and a representative from Blue & Gold Fleet participated in the MTC Regional Functional Exercise held in parallel with the Statewide Golden Guardian exercise on May 18. This provided an opportunity for both WETA staff and the contracted operators to understand each entity's procedures for service suspension and resumption in the event of a major emergency or disaster. MTC is currently working on an After Action Report which will evaluate and provide suggestions for addressing shortfalls in the participating agency's internal emergency response procedures.

Spare Vessels - Two spare vessels, *Gemini* and *Pisces*, have been constructed by Nichols Brothers Boat Builders and Kvichak Marine Industries that will be used to augment existing services and expand WETA's emergency response capabilities. Both of these vessels are chartered to the City of Alameda and are currently being utilized in Alameda-Oakland, Tiburon and Alameda Harbor Bay services.

South San Francisco Ferry Service - This service will provide access to biotech and other jobs in South San Francisco for East Bay commuters and expand the geographic reach of emergency ferry transportation response capabilities on the San Francisco Bay.

Two 199-passenger vessels, *Scorpio* and *Taurus*, have been constructed by Kvichak Marine Industries and Nichols Brothers Boat Builders. Both of these vessels are chartered to the City of Alameda and are currently being utilized in Alameda-Oakland, Tiburon and Alameda Harbor Bay services.

Pre-construction work continues with the two contractors selected for this project including their securing the insurance coverages needed for the project. Staff anticipates issuing the Notices to Proceed with each contractor in early July, 2010.

Berkeley Ferry Service – This service will provide an alternative transportation link between Berkeley and downtown San Francisco.

Staff continued their work with City staff to provide information concerning the Frontage Road and University Avenue intersection signalization solution that will be required as a mitigation when the project is built. In response to a request from City staff, the seismic viability study of University Avenue that is also required of WETA is being revised to address Seawall drive as well.

Treasure Island Service – This project, implemented by Treasure Island Development Authority (TIDA), the Mayor's Office of Economic and Workforce Development and the prospective developer, will institute new ferry service between Treasure Island and downtown San Francisco.

There are no new developments to report concerning this project.

Downtown San Francisco Ferry Berthing Expansion - This project will expand ferry berthing capacity at the San Francisco Downtown Ferry Terminal to accommodate expanded regular and emergency response ferry services. The current capacity at this terminal can only sustain the addition of the Berkeley-to-San Francisco route; any other route will require further terminal capacity.

Staff is finalizing the contracts with the environmental firm (URS) and the design firm (Roma) that were awarded these contracts at the June Board of Director's meeting. Both contracts are being finalized with respect to budget and scope of services. An initial kick-off meeting was also held with the consultants, Port and WETA staff in late June to discuss these matters.

Pier 9 Berthing Facility - This project would construct two layover berths for mooring and access to ferry vessels on Pier 9 alongside the northern pier apron and adjacent to the WETA Administrative Offices.

Both WETA's design and construction management consultants reviewed the RFP and associated documents for this project. Staff anticipates issuing the RFP for construction services by mid August 2010 with the project to be completed in the fall of 2011.

Central Bay Operations and Maintenance Facility - This project will develop a site for WETA operations and maintenance to serve basic vessel fueling, maintenance, shop, warehouse, storage and emergency operations needs.

A final concept design has been prepared for this project and is the subject of an informational presentation to the Board that is scheduled for this meeting. The final concept design will support preparation of the necessary environmental impact review documents required by CEQA and NEPA regulations. Environmental clearance of this project is anticipated to occur by the end of 2010 allowing WETA to proceed with preliminary and final design for the proposed maintenance facility.

Hercules Environmental Review/Conceptual Design - WETA has worked cooperatively with the City of Hercules to prepare the necessary environmental documents to support new ferry service in coordination with a Capitol Corridor commuter train station (and local feeder bus service) in a new Water Transit Oriented Development (WaTOD) being built at the Hercules waterfront.

City and WETA staff met to discuss their respective projects and the status of the Hercules environmental documents in June. Additionally, WETA staff is exploring the feasibility of a hovercraft for this route, as requested by the City, as one potential solution that would avoid the large and ongoing costs associated with dredging approximately two miles to the project site.

Miscellaneous Environmental Assessments/Conceptual Design – This project involves completing environmental and conceptual design documents for potential future ferry services in Antioch, Martinez, Redwood City and Richmond.

Besides issuing task orders to restart these studies, staff is in the process of finalizing the RFQ to solicit conceptual design services for each of these projects. Staff expects to issue this RFQ in July and make award recommendations to the Board in September for these design and engineering services.

UPDATE ON RELEVANT PROJECTS IMPLEMENTED BY OTHER AGENCIES

Vallejo Station - Vallejo Station is a compact, transit-oriented mixed-use project in the City of Vallejo that includes two major transit elements – a bus transfer facility that will consolidate local, regional and commuter bus services and a 1,200 space parking garage for ferry patrons.

Design of Phase A of the parking structure is 100% complete and all funding sources for Phase A of the Program have been secured. On April 13, Vallejo City Council awarded the construction contract for Phase I of the parking structure to Howard S. Wright Construction Co in the amount of \$16,654,126. Construction of the parking structure commenced on June 1, with an expected construction completion date of February 2012. A groundbreaking ceremony was held on Monday, June 21. Excavation of the site has begun and will continue through August 2010.

Meetings with USPS personnel regarding relocation are still underway and a potential relocation site has been identified. On June 22, City Council authorized City personnel to make an offer on the underlying HILF trust property based on a revised appraisal. Design of Phase B of the Parking

Structure is in the final design stage with the construction start date being dependent on the relocation of the post office property and full funding for this phase. Site work and utility construction is complete on the Bus Transit Center, structural steel has been erected, internal and external framing is complete, the HVAC system is installed and interior dry wall and plumbing are complete. The base pad has been paved and poured with anticipated installation of the Bus Shelters and Rotunda in July. Construction is currently at 40% completion, with a new anticipated construction end date of April 2011.

Mare Island Ferry Maintenance Facility – This project will construct a new ferry maintenance facility located at Building 165 on Mare Island in Vallejo in three phases. Phase 1 constructs a 48,000 gallon fuel storage (2 week supply) and delivery system. Phase 2 includes construction of a system of floats and piers to initially berth 6 vessels but designed in a modular fashion to accommodate future growth of the fleet, demolition of Building 855, and construction of a new warehouse/shop in its place. Phase 3 will renovate Building 165 into a permanent office and shop space (including lead dust abatement), and security installations. The design consultants, Winzler & Kelly, finished the conceptual design for all three phases in August 2005.

In anticipation of WETA taking over ferry operations from the City of Vallejo, WETA Staff reviewed the project in early 2009 and recommended that five specific areas of the plan be re-studied/amended including fuel tank storage options, modular construction of vessel berths, options to address BCDC global warming criteria, re-examining if continuing renovation of building 165 is optimal and revising lead dust abatement cost estimates.

Lennar (landlord of the site) and City of Vallejo, in consultation with WETA, are working to complete a 95% clean draft of the Facilities Agreement Lease in the very near term. This document is expected from Lennar in mid-July. Once received, the document will be routed to the City and WETA staff for a comprehensive review. The City Engineer and Ferry Staff completed a walk through of the parcel with Lennar on May 13. Verbal agreements were reached regarding a slight reorientation of the southern parcel line to maximize utility of the site. A drawing showing the revised parcel line has been prepared by Winzler & Kelly and forwarded to Lennar for inclusion in the 95% Facility Agreement Lease.

Work continues on the 50% plans and specifications package for the Phase 1 Ferry Fueling Facility and Phase 2 Waterfront Infrastructure. The consultant team, being led by Winzler & Kelly, expects to have the 50% package completed for City and WETA review by the end of September 2010.

A letter was sent to the US Army Corps of Engineers (USACOE) formally requesting a waiver regarding the project's impact on the navigable channel in Mare Island Strait. The USACOE subsequently referred the matter to the United States Coast Guard Waterways Management Office in San Francisco. Per verbal communications, that office plans to issue a "No Opposition Letter" by mid-July. This letter will allow us to go back to the USACOE and complete the permitting process with them.

OUTREACH, PUBLIC INFORMATION, AND MARKETING EFFORTS

June 10, Nina Rannells and Lynne Yu met with Vallejo and MTC to discuss RM1 and RM2 allocations.

June 21, Nina Rannells and Tony Intintoli attended the Vallejo Station groundbreaking in Vallejo.

June 23, Nina Rannells met with Will Travis, Executive Director of BCDC, to discuss current WETA projects.

July 8, John Sindzinski and Keith Stahnke met with City of Alameda Staff and SunCal Developers to discuss SunCal's development plans at Alameda Point.

OTHER ACTIVITIES / ITEMS

10-Year Service Recognition -On May 22, 2010, Charlene Haught Johnson reached her 10 year anniversary as a member of the WTA/WETA Board of Directors. She has served all ten years as the Chair of the Authority. We thank her for her dedication, exemplary leadership, patience and good humor during her years of service to the Authority.

WETA Reserves/Regional Measure 2 Funds/MTC Loan – Staff continued discussions with MTC on May 27 regarding establishing a funding mechanism for addressing WETA cash flow needs associated with implementing our operating and capital programs. This issue relates to the need to have access to cash reserves to support ongoing operations and emergency response capabilities and to make up-front payment of capital project invoices prior to receiving grant reimbursements. Creating a cash reserve is an important operating requirement for WETA as it moves forward to take on system operations and will be equally as important as WETA moves forward with large construction projects, such as South San Francisco terminal construction, which requires WETA to make up-front payments for work activities. Staff is working on an agreement with MTC and hopes to have the details finalized for Board discussion in July.

Prevailing Wage – On July 1, 2009 staff sent a letter to the Department of Industrial Relations (DIR) asking whether or not prevailing wage laws apply to passenger ferry operations on the San Francisco Bay and if DIR can conduct a special determination even if prevailing wage laws do not apply. On July 14 WETA received a letter from DIR stating that WETA is not required by state law to pay prevailing wage for ferry operations work. DIR issued a draft special determination for prevailing wages for regular ferry operations on the San Francisco Bay on October 7, 2009, and a clarifying letter on February 17, 2010, related to health and welfare rates for deckhands. Staff has reviewed the information in these letters and will incorporate a discussion on prevailing wage into the up-coming development of a ferry service operating RFP, which would serve to consolidate transitioned city services and new SSF service under one operator.

ADMINISTRATION

May Financial Statements - Attached are the monthly financial statements for May 2010, including the Statement of Revenues and Expenses and the Capital Budget vs. Expenditures reports.

Water Emergency Transportation Authority
FY2009/10 Statement of Revenues and Expenses
May 2010

					% of Year Elapsed 92%
	Current Month	Prior Year Actual	FY 2009/10 Budget	FY 2009/10 Actual	% of Budget
Operating Revenues					
Operating Assistance					
RM 2 Planning	331,701	3,656,290	4,620,000	3,137,895	67.9%
SUASI	-	173,802	-	26,198	0%
Total Operating Assistance	331,701	3,830,092	4,620,000	3,164,093	68.5%
Other Revenues					
Interest Income	11,375	34,643	30,000	22,334	74.4%
Other	-	51,500	-	1,000	0.0%
Total Other Revenues	11,375	86,143	30,000	23,334	77.8%
Total Operating Revenues	343,076	3,916,235	4,650,000	3,187,427	68.5%
Total Capital Revenues	1,644,582	17,675,940	35,816,070	8,082,852	22.6%
Total Revenues	1,987,658	21,592,175	40,466,070	11,270,279	27.9%
Operating Expenses					
Operations					
Wages and Fringe Benefits	118,071	1,294,230	1,590,000	1,342,439	84.4%
Services	184,200	2,164,056	2,370,000	1,485,456	62.7%
Materials and Supplies	3,313	29,045	92,500	10,367	11.2%
Utilities	752	12,847	17,000	9,048	53.2%
Insurance	-	30,352	35,000	28,216	80.6%
Miscellaneous	1,838	41,170	95,500	32,567	34.1%
Leases and Rentals	23,527	295,942	300,000	255,999	85.3%
Total Operations	331,701	3,867,643	4,500,000	3,164,093	70.3%
Total Operating Expenses	331,701	3,867,643	4,500,000	3,164,093	70.3%
Total Capital Expenses	1,644,582	17,675,940	35,816,070	8,082,852	22.6%
Total Expenses	1,976,283	21,543,583	40,316,070	11,246,945	27.9%
Excess Revenues (Loss)	11,375	48,592	150,000	23,334	

**Water Emergency Transportation Authority
FY 2009/10 Capital Budget vs Expenditures
May 2010**

Project Description	Current Month	Project Budget	Prior Year Actual	2009/10 Budget*	2009/10 Actual	Future Year	% of Project
Expenses							
2 Spare Vessels	18,640	17,000,000	16,758,493	241,507	6,317	-	99%
SSF Vessels	1,563,759	20,500,000	11,441,898	7,000,000	6,206,553	2,058,102	86%
SSF Terminal Design	-	3,000,000	2,794,926	205,074	57,288	-	95%
SSF Mitigation Study	-	275,000	35,581	100,000	6,875	139,419	15%
SSF Terminal Construction	(3,098)	26,000,000	-	15,000,000	1,357,852	11,000,000	5%
Berkeley Environ/Conceptual Design	28,543	1,782,700	1,490,239	292,461	173,545	-	93%
Berkeley Terminal Design	-	3,200,000	-	1,500,000	-	1,700,000	0%
Hercules Environ/Conceptual Design	7,866	1,080,000	908,016	171,984	62,258	-	90%
Pier 9 Mooring/Floats	2,721	2,750,000	237,562	2,512,438	91,596	-	12%
Environmental Studies/Conceptual Design	-	3,000,000	56,000	1,500,000	-	1,444,000	2%
Central Bay Ops/Maintenance Facility	26,151	2,600,000	7,394	2,592,606	120,568	-	5%
Maintenance Barge, Floats & Ramps	-	5,000,000	-	3,500,000	-	1,500,000	0%
S.F. Berthing - Environ/Conceptual Design	-	2,500,000	-	1,200,000	-	1,300,000	0%
Total Capital Expenses	1,644,582	88,687,700	33,730,110	35,816,070	8,082,852	19,141,520	
Revenues							
RM 2	226,544	37,887,699	30,960,852	5,996,429	2,799,760	930,418	89%
San Mateo County Sales Tax	18,450	15,000,000	-	8,653,950	379,638	6,346,050	3%
Federal	1,186,209	9,480,002	2,705,864	4,174,100	3,195,845	2,600,038	62%
Proposition 1B	213,379	26,319,999	63,395	16,991,590	1,707,610	9,265,014	7%
Total Capital Revenues	1,644,582	88,687,700	33,730,110	35,816,070	8,082,852	19,141,520	

**Actual FY2008/09 expenditures were greater than the estimate; therefore, FY2009/10 Budget is \$51,070 less than the Adopted Budget.*

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

MINUTES OF THE BOARD OF DIRECTORS MEETING

(June 17, 2010)

The Board of Directors of the San Francisco Bay Area Water Emergency Transportation Authority met in regular session at the WETA offices at Pier 9, Suite 111, San Francisco, CA.

1. ROLL CALL AND CALL TO ORDER

Chair Charlene Haught Johnson called the meeting to order at 1:07 p.m. Directors present were Vice Chair Anthony Intintoli, Director Gerald Bellows and Director O' Rourke. Vice Chair Intintoli led the Pledge of Allegiance. Directory Beverly Johnson arrived at 1:30 p.m.

2. REPORT OF BOARD CHAIR

None.

3. REPORT OF DIRECTORS

None.

4. REPORTS OF STAFF

Executive Director Nina Rannells reported that staff continued to work actively with the City of Alameda on service transition details, and that she hoped to bring an item to the Board at the September or October meeting. She noted that staff would be attending the Alameda Transportation Committee hearing on June 23 as part of the City of Alameda's public outreach process.

Ms. Rannells also noted that city staff had asked WETA to join in a meeting with SunCal, who holds exclusive redevelopment rights at Alameda Point, as part of an ongoing discussion to ensure ferry access.

Ms. Rannells noted that once again per SB 976 and SB 1023 operating funds for the Alameda and Vallejo city services would be directed to WETA, and as in prior years she anticipated bringing an item to the Board in July to approve the Alameda and Vallejo services' operating budgets, including funds for expansion projects in Vallejo, to pay through to the cities. She noted that MTC had also requested letters of intent to transition from WETA and both cities as part of the arrangement.

Ms. Rannells advised the Board that she would be representing WETA at the Vallejo Station parking garage groundbreaking celebration on June 21 along with Vice Chair Intintoli who would be speaking at the event.

Regarding the MTC loan to establish a reserve to fund WETA RM2 projects, Ms. Rannells said that staff has been making headway and that she anticipated that details would be resolved soon. She said that the reserve was likely to be approximately \$10 million and that she hoped to bring a request to the Board as soon as August.

Ms. Rannells then introduced Barry Broad of Broad & Gusman LLP, who delivered a state legislative update. Mr. Broad reported that budget negotiations were currently underway to close the approximately \$20 billion deficit. He said that there were currently no proposals on the table that would directly impact WETA's funding. Mr. Broad noted that due to a deal which had been worked out earlier that no one would be likely to raid transit funding in the course of the current negotiations.

Mr. Broad also reviewed the status of SB 1061, which would create a bicycle pathway on the Bay Bridge and around the Bay Area. He said that the bill had no current opposition and that as written it would not be funded by bridge tolls unless there was an unanticipated surplus collected beyond forecasts.

He also noted that an update on SB 1205, which would create a Bay Area Disaster Recovery Authority, was included in his written report but that staff would be presenting an informational item regarding SB 1205 in greater detail later in the meeting.

5. CONSENT CALENDAR

Vice Chair Intintoli made a motion to approve the minutes from the May 20, 2010 Board of Directors meeting. Director O'Rourke seconded the motion and the item carried unanimously.

6. UPDATE ON SENATE BILL 1205 (CORBETT)

Administrative Policy Analyst Lauren Duran presented this informational item regarding Senate Bill 1205 as requested by the Board. She noted that the bill, co-authored by Senators Mark DeSaulnier and Loni Hancock, would create the Bay Area Disaster Recovery Planning Council and establish a long-term regional earthquake recovery plan. She reviewed the scope of the plan as detailed in the most current version of the bill, noting that it primarily dealt with housing and lifeline infrastructure recovery issues immediately following a regional disaster.

Ms. Rannells added that Council would be a planning agency only and their planning would complement WETA's role in disaster response and not duplicate efforts. Chair Johnson thanked Ms. Duran for the report.

7. APPROVAL OF CONTRACT AWARD TO BROAD & GUSMAN, LLP FOR STATE LEGISLATIVE REPRESENTATION

Public Affairs Manager Leamon Abrams presented this item requesting the Board award by resolution a contract for state legislative services to Broad & Gusman, LLP, in an amount of \$66,000 for FY 2010/11 and to authorize the Executive Director to execute the contract.

Mr. Abrams noted the release of the recent RFQ for state legislative services and reviewed the selection process that led to staff's recommendation to award to Broad & Gusman.

Vice Chair Intintoli made a motion to approve the item. Director O'Rourke seconded the motion and the item carried unanimously.

8. APPROVE CONTRACT AWARD FOR ENVIRONMENTAL REVIEW SERVICES FOR SAN FRANCISCO FERRY TERMINAL EXPANSION PROJECT

Ms. Rannells prefaced this item noting that agenda items 9 and 10 were linked and that both addressed the need for expanded berthing capacity at the Ferry Building to meet anticipated emergency response requirements as well as passenger capacity for planned future services including Treasure Island and Berkeley ferry services.

Ms. Rannells also noted a request for Board authorization to adjust the budget for the terminal expansion contracts by a not to exceed amount of \$800,000 in order to cover the amount of the contract. She noted that available grant funds were sufficient to cover an amended amount. Vice Chair Intintoli requested WETA counsel Stanley Taylor III of Nossaman LLP draft language for an amended resolution to reflect this amount.

WETA Planner/Analyst Michael Gougherty then presented the item, requesting Board approval of a contract award for environmental review services for the San Francisco Ferry Terminal Expansion

Project to URS Corporation in an amount not to exceed \$1,457,000, and authorize the Executive Director to negotiate and enter into a contract for this work.

Mr. Gougherty reviewed the background of the project and need for additional berthing and passenger capacity at Ferry Building, and discussed the MOU between WETA and the Port of San Francisco that clarifies responsibilities for each component of the project. He then reviewed the RFQ and section process that led to staff's recommendation to select URS as the most qualified firm.

Public Comment

Veronica Sanchez of Masters, Mates & Pilots asked for a clarification of purpose for the berthing expansion and if it included meeting the needs of the planned Treasure Island service, which she understood would use vessels with passenger capacities of 600.

Manager of Planning and Development John Sindzinski responded that three new berthing spots were planned to accommodate planned services including Berkeley and Treasure Island, but that the 600 passenger capacity ferries originally proposed had been rejected by the developer in favor of a graduated approach that would build to meet capacity over a period of 10 to 15 years.

Chair Johnson asked who the Treasure Island developer was. Mr. Taylor said it was Treasure Island Community Development LLC.

Ms. Rannells added that staff would continue to bring updates to the Board regarding Treasure Island as the project evolved.

Mr. Taylor offered an amended Recommendation paragraph on the Staff Report for Item 9 to read as follows: "Approve contract award for environmental review services for the San Francisco Ferry Terminal Expansion Project to URS Corporation in an amount not to exceed \$1,457,000, and authorize the Executive Director to negotiate and enter into a contract for this work, and to authorize a budget increase in an amount of \$800,000."

Mr. Taylor also offered amended language to Resolution 2010-20 as follows: "The Board of Directors of the Authority hereby conditionally awards the contract to URS Corporation and authorizes the Executive Director to negotiate and execute an agreement for environmental review services for the San Francisco Ferry Terminal Expansion Project for a total not to exceed cost of \$1,457,000, and to authorize a budget increase in an amount of \$800,000."

Vice Chair Intintoli Director Bellows made a motion to approve the item as amended. Director Bellows seconded the motion and the item carried unanimously.

9. APPROVE CONTRACT AWARD FOR DESIGN AND ENGINEERING SERVICES FOR SAN FRANCISCO FERRY TERMINAL EXPANSION PROJECT

Mr. Gougherty presented this item requesting the Board approval of a contract award for design and engineering services for the San Francisco Ferry Terminal Expansion Project to ROMA Design Group in an amount not to exceed \$1,380,000 and to authorize the Executive Director to negotiate and enter into a professional services agreement for this work. He noted that this agreement would include conceptual design work with the option, at WETA's discretion, to continue with ROMA Design Group to provide preliminary and final design services for this Project.

Vice Chair Intintoli made a motion to approve the item. Director Bellows seconded the motion and the item carried unanimously.

Chair Johnson called the meeting into recess at 1:45 p.m. and reopened the meeting at 1:50 p.m.

10. UPDATE ON MARKETING/OUTREACH PROGRAM DEVELOPMENT

Ms. Rannells introduced Neil Cohen of The M-Line who presented an informational update on the status of branding strategies for WETA's marketing program. Mr. Cohen identified key demographic groups representing potential and current ferry passengers and offered suggested approaches for refining a marketing message and developing a brand strategy for WETA.

Ms. Rannells followed the presentation by noting that although this was an informational item only, feedback from the Board was appreciated regarding The M-Line's "Fresh Perspective" concept as well as the Board's desired level of involvement in marketing issues in general.

Director Johnson said that commuters just want to get from here to there and are not concerned with fluff. Mr. Cohen replied that the presentation was for internal use to outline marketing strategies and that the message to riders would of course communicate a commitment to basic transit needs. He added that on transit alone, the ferry would not be on a level playing field with services such as BART for convenience and reliability, and for that reason it was important to also communicate additional, more desirable aspects of the ferry experience.

Director Johnson said the ferries would never be able to attract riders from the hills. Mr. Cohen said that that may be, but that it was important to focus on the strong points of ferry service as well as to deliver on core promises such as reliability.

Vice Chair Intintoli noted that service to baseball games had been successful in attracting new riders and that major draws such as the current exhibit at the de Young Museum could have a similar effect if WETA focused on connectivity. Mr. Cohen agreed, but noted connectivity as a specific marketing issue that would follow after brand strategy had been developed. Vice Chair Intintoli wondered if the name of the service mattered. Mr. Cohen pointed out that as part of the process of the transition a unified brand was essential.

Director O'Rourke said that the approach should be two-pronged, focusing on current riders and then growing to include larger areas of potential commutes as outlined in the presentation.

Chair Johnson asked the Board if a committee should be formed to guide the development of the marketing program. Director Johnson suggested that regular updates from staff would be preferable. Director Bellows agreed.

Ms. Rannells added that the concepts presented resonated with her experience as a regular ferry commuter and that the time onboard a ferry served as transitional period between work and home in a way that other commute options did not. Mr. Cohen said that he looked forward to continuing work with WETA on development of the marketing program.

11. RECESS INTO CLOSED SESSION AND REPORT ON CLOSED SESSION

Chair Johnson called the meeting into closed session at 2:25 p.m. Upon reopening of the meeting at 2:55 p.m. she reported that no action had been taken.

12. ADJOURNMENT

All business having concluded, the meeting was adjourned at 2:55 p.m.

Respectfully Submitted,

Board Secretary

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Approve a Resolution of Intent to Transition City of Alameda and City of Vallejo Ferry Services to WETA

Recommendation

Authorize a resolution of intent to accept transfer of the Baylink ferry service from the City of Vallejo and the Alameda/Oakland and Harbor Bay ferry services from the City of Alameda.

Background

Under Senate Bills (SB) 976 and 1093, WETA was charged with consolidating all existing or planned public transportation ferries, except those operated by the Golden Gate Bridge Highway and Transportation District. These bills required WETA to develop and adopt a Transition Plan to facilitate the transfer of the existing public transportation services operated by the City of Alameda and the City of Vallejo to WETA. In accordance with SB 976 and SB 1093, this plan was completed and adopted by the WETA Board of Directors on June 18, 2009.

Since the plan was adopted, WETA staff and legal counsel have worked to develop the foundation documents required to transfer the services and related assets to WETA for system operation. The status of the transition work for each city is currently as follows:

City of Alameda Transition

A transition term sheet and final transition agreement are largely complete, and will be brought forward for WETA Board and Alameda City Council consideration for action in early October. The terms of this transition were discussed publicly at the Alameda Transportation Committee meeting on June 23. It is anticipated that the system transition will be finalized on or about December 31, 2010.

City of Vallejo Transition

A draft term sheet was provided to Vallejo in December, and a revised version of this term sheet is under development by WETA incorporating terms consistent with the final Alameda agreement. WETA and Vallejo staff have agreed to establish regular meeting dates and develop a work plan to move the service transition forward this year.

Discussion

As a part of discussions with MTC this year regarding Regional Measure 2 fund allocation, MTC indicated that per Government Code Section 66540.11 (e) and 66540.11 (f), as amended by Senate Bills 976 and 1093, they could not allocate any additional RM2 funds to support transition work or non-expansion service operation without formal action by the cities to transition services. In discussion with MTC on this requirement, they indicated a desire to also have WETA adopt a similar resolution of intent re-affirming our commitment to accept transfer of these services from the cities.

This item authorizes a resolution of intent to transition services and establishes key milestone dates towards moving the service transitions forward as follows:

City of Alameda Milestones

Milestone

- Transition Agreement Approval
- Transition

Milestone Date

October 7, 2010
December 31, 2010

City of Vallejo Milestones

Milestone

- Service Business Plan
- Term Sheet Approval
- Transition Agreement Approval
- Transition

Milestone Date

October 31, 2010
November 4, 2010
February 3, 2011
June 30, 2011

The Alameda milestones are abbreviated compared to Vallejo to reflect the work already done to date on this transition. In addition, the Vallejo has an added milestone to develop a service business plan that will help to inform WETA and MTC regarding the state of the system, and City of Vallejo's recent request for third year of funding augmentation to maintain services at current levels (the subject of Item 8 on the meeting agenda).

The City of Vallejo and City of Alameda are both scheduled to consider adoption of similar resolutions relating to the transitions of their services on July 13 and July 20, respectively.

Fiscal Impact

There is no fiscal impact associated with this item.

End

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Authorize the Metropolitan Transportation Commission to Allocate an Additional \$1,583,992 Million Regional Measure 2 Funds to Support FY 2010/11 Vallejo Ferry Operations

Recommendation

Authorize, by resolution, the Metropolitan Transportation Commission to allocate an additional \$1,583,992 Regional Measure 2 funds to support FY 2010/11 Vallejo Ferry operations.

Background

Section 30914 of the Streets and Highways Code allows up to \$15.3 million per year in Regional Measure 2 (RM2) funds to be made available to support regional ferry transit operating expenses under WETA. Of this amount, \$2.74 million has historically been available to support Vallejo ferry services for system expansion.

In FY 2008/09, WETA supported MTC allocation of an additional \$1.9 million of these RM2 funds to support a revised FY 2008/09 Baylink budget and operating plan addressing sharp ridership decreases experienced beginning in June 2008 with the initiation of a 20% fare increase and extraordinary fuel price increases. Vallejo's plan allowed for a partial roll-back of the June fare increase and deferred proposed service reductions in an effort to stabilize Baylink's services and gain back the ridership lost in the preceding months. The extra RM 2 funds provided to Vallejo Baylink were a part of a multi-agency solution, providing a total of \$2.2 million additional funds to support continuing existing services while WETA and the City developed a transition plan for moving these services under WETA in the future. This action was to be for one-year only (FY 2008/09), and, per Senate Bill 1093 and MTC requirements, future year allocation of RM2 funds in excess of the historic baseline amount of \$2.74 million for the Vallejo service were to be subject to WETA adoption of a transition plan and agreement by Vallejo to transition its services to WETA.

In FY 2009/10, City of Vallejo asked WETA and MTC for a second year of the baseline fund augmentation in the amount of \$2,000,000 in order to effectively avoid fare increases or service cuts that would otherwise be required to close the service funding gap. This second year of funds was approved by the WETA Board of Directors on June 18, 2009, and by MTC with the understanding that the City would work to monitor system performance and identify options for future service changes required to balance system expenses with revenues and ridership levels.

Discussion

Staff has received a letter from the City of Vallejo, provided as **Attachment 1** to this report, requesting WETA assistance and support in securing an additional \$2,480,000 million in FY 2010/11 Regional Measure 2 operating subsidy in excess of the baseline amount in order to fill a budget funding gap and allow the Baylink ferry service to continue operating at its current level of ferry service. This amount would also provide Baylink service with an operating contingency in order to ensure that operating revenues can withstand some fluctuation in fuel costs next year.

As a part of this request, the City of Vallejo has outlined its past efforts to monitor ridership and make service changes over the recent years to manage service expenses and promote ridership. These have included such items as:

- Adjustments to trip arrival/departure times to make them more productive;
- Delay in the start of the expanded Summer schedule; providing a cost savings during the shoulder of this historically-busy season; and
- Implementation of a multi-agency and stakeholder marketing campaign in order to improve ridership

The net impact of these efforts has not been sufficient to close the gap between service costs and funds available to support the Baylink ferry operation. While ridership losses appear to have bottomed out, patronage is down 25% from two years ago which has had a significant impact on system fare revenues and service performance.

Since receiving the letter, WETA, City of Vallejo and MTC staff have met to discuss the request and MTC staff has indicated that they would support allocation of an additional \$1,583,992, which is \$900,000 less than requested, taking into account that the City has not spent the full amount of extra funds allocated by MTC in previous years. MTC staff has further indicated that the allocation would be subject to a mid-year review in order to determine progress on the transition work and milestones, as identified in the resolution of intent to transition services and discussed in a previous agenda item. One of the milestones considered will be progress and results of a service analysis/business plan, due to be completed no later than October 31, 2010, and focused on completing an analysis to consider system ridership, service levels and cost/revenue trends to better understand system performance and identify options for enhancing utilization, efficiency and effectiveness of the system. MTC requires results of this analysis to be incorporated into the WETA transition Term Sheet and considered in the mid year review. A second milestone considered will be adoption of a transition Term Sheet, to be completed no later than November 4, 2010.

WETA's ability to access additional Regional Measure 2 above the historical baseline amount to provide additional support for the Vallejo Ferry operation in FY 2008/09, FY 2009/10 and FY 2010/11 has provided a unique opportunity for Baylink to maintain services at existing levels during this period of volatile fuel prices and economic downturn. However, as is conveyed in the body of Transition Plan and as communicated to City of Vallejo when funds were authorized last year, WETA will have limited ability to continue this additional subsidy over time as cost inflation occurs and WETA develops its full complement of regional ferry and emergency response services consistent with the intended use of these funds. As such, the City of Vallejo should not expect an allocation of augmentation funds each year and WETA and City should be working now to identify options for service changes and ridership enhancement opportunities to support the long-term viability and sustainability of the Baylink services.

Staff recommends that the Board authorize support for MTC allocation of an additional \$1,583,992 in Regional Measure 2 funds for Vallejo Baylink ferry service in FY 2010/11, with the condition that City of Vallejo work with WETA to develop a service analysis/business plan and identify options for future service changes that may be required in order to balance system expenses with revenues and ridership levels in FY 2010/11 and future years.

Fiscal Impact

There is no direct fiscal impact to WETA operations associated with this item as funds are not currently required by WETA to support other services contemplated by Regional Measure 2. This action would bring the total RM2 subsidy to support Vallejo ferry services up from \$2,740,500 million to \$4,324,492 in FY 2010/11.

End



CITY OF VALLEJO

DEPARTMENT OF PUBLIC WORKS
Transportation Division

555 SANTA CLARA STREET • P.O. BOX 3068 • VALLEJO • CALIFORNIA • 94590-5934 • (707) 648-4315
FAX (707) 648-4691

June 21, 2010

Nina Rannells
Water Emergency Transportation Authority
Executive Director
Pier 9, Suite 111, The Embarcadero
San Francisco, CA 94111

Dear Ms. Rannells,

Per statute, and in accordance with the WETA Transition Plan, MTC adopted Resolution No. 3955 on May 26, 2010 which programmed \$15.3M of Regional Measure 2 (RM2) funding for regional ferry service operations. As a result of this action the Baylink ferry RM2 operation funding is now directly programmed by the Metropolitan Transportation Commission (MTC) to the Water Emergency Transportation Authority (WETA). As such, the City of Vallejo is requesting that the WETA take formal action to authorize MTC to allocate \$5.4M in RM2 operating funding to Vallejo for continued operation of the Baylink ferry service during FY 2010/2011.

This amount includes \$2.74M of the Baylink ferry's annual RM2 plus an additional \$2.48M to balance the operating budget and \$200,000 for transition reimbursement costs anticipated in FY 2010/11. The City of Vallejo is seeking approval by resolution from the WETA Board in time to place this allocation request on the MTC agenda for their July 21, 2010 meeting. This letter should also support Vallejo's RM1 allocation request from the MTC. Per the request of the MTC at our meeting on June 10, 2010, Vallejo will seek City Council action to adopt a resolution of intent to transition ferry services to the WETA at their July 13, 2010 meeting. Vallejo staff will work with WETA staff to develop a work plan identifying milestones relative to the transition of service.

As projected a year ago in the Transition Plan, the additional operating funds are needed to allow Baylink to build the commuter ridership back up to 2008 levels as well as to provide a contingency for fluctuating fuel prices. Our Baylink ferry system has seen a two year trend of decreasing ridership which appears to have recently bottomed out. The decline hit 6% year-to-year for FY 2008 and a more dramatic 19% for FY 2009. Currently, ridership is off 2% year-to-year for FY 2010. Vallejo's transportation system is facing financial challenges as projected revenues will not pay for the optimum level of transit services. For FY 2011, unless additional revenues can be realized Vallejo will be forced to make far reaching service modifications negatively impacting ridership recovery and the

overall health of the Baylink ferry system. Data analysis and operating experience makes it clear that any significant reductions in the Baylink ferry service or increases in fares would be counterproductive in that they would exacerbate the ridership concerns, disturb our recent ridership stabilization and make it more difficult to attract new riders for the recovery.

This requested funding allocation is consistent with the five-year budget adopted in the WETA Transition Plan which assumes the funding of a \$2.8M operating budget shortfall, \$300K more than current budget shortfall projections. This document indicates that this projected deficit would be funded with RM2 operating funds. Per WETA's request, it is Vallejo's intent to begin to build a capital reserve using RM1 funds.

It should be noted that in FY 2008 and 2009, recognizing the Baylink ferry's regional significance, the MTC in partnership with the City of Vallejo, the WETA, the Solano Transportation Authority (STA) and Solano County provided additional RM2 funding to help stabilize and support the system during its transition to WETA. **Of the \$3,900,000 made available in RM2 contingency funds for two fiscal years, Vallejo has only utilized \$2,347,000 leaving a balance of \$1,553,000 of unspent RM2 funding programmed for the Baylink operations.**

To address budget shortfalls, Vallejo has instituted several cost containment measures systematically reducing and eliminating the poorest performing ferry trips, making operational changes such as reducing throttle settings to save fuel, and delaying the implementation of the Baylink summer ferry schedule. For FY 2009/2010 we have seen positive trends in managing vessel maintenance costs, reduced insurance premiums, and crew labor savings as well as a break in fuel

prices which has the most impact on ferry expenditures. Vallejo staff continues to evaluate potential service modifications to ensure optimal alignment of service levels with passenger demand. Staff is proposing weekend ferry and Route 200 service changes after peak summer season to further improve productivity. Our goal is to minimize the gap between system revenues and expenses.

Over the last several years, Vallejo with the support of WETA and key ferry stakeholders has marketed the Baylink ferry system and administered various successful promotions to help generate additional revenues. Some of the promotions included, but were not limited to, "Friends and Family" group rates, late Friday and Saturday night ferry service to San Francisco, and a Passenger Appreciation Day and Business Marketplace at the Ferry Terminal. The success of these promotions has been substantiated in the most recent STA ridership survey which shows an increase in the Baylink ferry's casual ridership. Recently, Vallejo staff has met with WETA staff and their marketing consultant, M-line, to develop a new marketing strategy including promotions to coincide with the bridge toll increase this summer. With the WETA's assistance we would like to

pursue M-line's suggested marketing approach and strategy of implementing a monthly ticket reduction program to take advantage of the upcoming bridge toll increases.

We believe that the best opportunity to preserve the Baylink ferry system and the key to sustainability is to build ridership and work with our funding partners to secure contingency funding during peak fuel price periods. (We do not have the ability to influence the other primary variable, costs such as fuel.) In order to effectively build ridership, there are three primary factors:

- ❖ Provide reliable and consistent transit service by maintaining the current levels of ferry and bus service; a schedule attractive to the ridership;
- ❖ Develop a new joint marketing strategy and aggressively marketing the Baylink ferry. In terms of commuters, we need to reward those who have remained loyal by stabilizing schedules and fares, and giving them a better commute experience. We also need to focus on winning commuters back, and in capturing more than our share of the new commuters generated through the economic recovery. We also need to continue to move decisively on outreach to the leisure and tourist travelers, group travelers, and charter opportunities.
- ❖ In the future, plan to stabilize fares by instituting a series of small annual fare increases giving commuters and other travelers some sense of stability in the pricing of the service

Vallejo's ridership history, recent trends and marketing successes of the last few years demonstrate that not only can ridership recover, but that we can successfully encourage it with targeted marketing and the planned development.

Going forward, it is anticipated that ridership will improve significantly on the Baylink ferry service. Vallejo Station Intermodal waterfront high density mixed use Transit Oriented Development (TOD), currently under construction meets the WETA IOP established goals and objectives for implementation of new services as it creates conditions that lead to high ridership. Construction of the Bus Transit Center should be complete by March of 2011. Phase A of the Vallejo Station Parking Structure should be completed by June of 2012 which will open up waterfront property for residential and retail development immediately adjacent to the ferry terminal. It is expected that this transit orientated development will increase ferry ridership in the long term. Other revenue partnership opportunities also exist in the near future for the Baylink ferry operation.


We believe that the viability of WETA's future regional ferry system expansion will be influenced by the success of the existing ferry operations and it is in the best interest of the WETA and MTC to support the existing Baylink service. This

opinion was recently substantiated by the keynote speaker at the conference "Next Stop: A Summit on the Future of Transit" in Boston. FTA Administrator Peter Rogoff told transit providers across the country that its important agencies not sacrifice current operations in order to fund new expansions. He said, "We need to attract and maintain riders, not push them back onto the highway." Continuing to invest in the Baylink ferry operation advances the federal governments goals, is critical in reducing congestion in the Bay Area Region and in maintaining northern Bay connectivity via the waterways while further reducing service levels at this time would have a catastrophic effect on our ability to attract the ridership we need to sustain transit ferry service.

Vallejo is currently working with the STA and the City of Benicia to address the financial needs for our local bus transit and MTC's desire to consolidate transit services as well as working earnestly and in good faith with you and the WETA staff to transition the ferry service as soon as possible. As mentioned in our recent meetings from a staffing point of view it is critical that the WETA transition occur before or simultaneously with the bus system transfer. With your support, we look forward to engaging the WETA staff into the operating intricacies of the Baylink ferry system operations to facilitate this transition.

Thank you in advance for your attention to this matter. If you have any questions please contact either myself or Ms. Jeanine Wooley, Interim Transportation Superintendent at (707) 553-7224.

Sincerely,


for Gary Leach

CC: Charlene Haught Johnson, WETA Board Chair
Anthony J. Intintoli, Jr., WETA Board Vice Chair
Gerald Bellows, WETA Board Member
Beverly Johnson, WETA Board Member
John O'Rourke, WETA Board Member
Bob Adams, City Manager, City of Vallejo
Rob Stout, Finance Director, City of Vallejo

Attachments: Transition Plan five-year budget projections
MTC RESO 3955

Date: May 26, 2010
W.I.: 1255
Referred by: PAC

ABSTRACT

Resolution No. 3955

This resolution adopts the Regional Measure 2 (RM2) Operating Assistance Program for FY 2010-11.

Further discussion of this action is contained in the Programming and Allocations Committee Summary Sheet dated May 12, 2010.

Date: May 26, 2010
W.I.: 1255
Referred by: PAC

RE: Adoption of FY 2010-11 RM2 Operating Assistance Program

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 3955

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to California Government Code § 66500 *et seq.*; and

WHEREAS, Streets and Highways Code Sections 30950 *et seq.* created the Bay Area Toll Authority (“BATA”), which is a public instrumentality governed by the same board as that governing MTC; and

WHEREAS, on March 2, 2004, voters approved Regional Measure 2, which increased the toll for all vehicles on the nine State-owned toll bridges in the San Francisco Bay Area by \$1.00, with this extra dollar funding various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004), commonly referred as Regional Measure 2 (“RM 2”); and

WHEREAS, RM 2 establishes the Regional Traffic Relief Plan and identifies specific projects eligible to receive RM2 funding for operating assistance as identified in Sections 30914(d)(3) & (4) of the California Streets and Highways Code; and

WHEREAS, BATA shall fund the projects of the Regional Traffic Relief Plan by bonding or transfers to MTC; and

WHEREAS, RM 2 assigns administrative duties and responsibilities for the implementation of the Regional Traffic Relief Plan to MTC; and

WHEREAS, MTC has developed guidelines for the programming and use of the RM2 funds for operating support of transit projects, and

WHEREAS, these guidelines state that MTC will adopt a project specific budget for RM2 operating funds prior to the beginning of each fiscal year, now, therefore be it

RESOLVED, that MTC adopts a program that establishes RM2 operating subsidy amounts for FY 2010-11, as outlined in Attachment A and incorporated herewith as though set forth at length.

METROPOLITAN TRANSPORTATION COMMISSION

Scott Haggerty, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in Oakland, California on May 26, 2010.

FY 2010-11 RM-2 Operating Assistance Program

Project #	Project Name	Operator	Route	Programmed Set Aside (1)
1	Richmond Bridge Express Bus	Golden Gate Transit	Route 40	2,195,925
2	Napa VINE Service	NCTPA	Vallejo Intermodal Express Bus	390,000
3	Express Bus North	Vallejo	Route 78	510,226
		Vallejo	Route 80	511,873
		Vallejo	Route 85	201,741
		ECCTA	Route 300	531,835
		Fairfield/Suisun Transit	Route 40	184,072
		Fairfield/Suisun Transit	Route 90	526,963
		Golden Gate Transit	Route 72	151,264
		Golden Gate Transit	Route 101	145,339
		WestCat	Route 30Z/JPX	249,294
				Total
4	Express Bus South	AC Transit	Route F	890,865
		AC Transit	Route LA	146,761
		AC Transit	Route NL	2,678,379
		AC Transit	Route NX1	91,779
		AC Transit	Route NX2	88,191
		AC Transit	Route O	779,077
		AC Transit	Route P	385,034
		AC Transit	Route U - Dumbarton Corridor	311,238
		AC Transit	Route W	56,580
		LAVTA	Route 10	580,836
		WestCat	Hercules LYNX/JX	317,950
		Total	6,326,690	
6	Ferry Service	WETA	Operations	15,300,000
7	Owl Service	AC Transit	Route 800	665,771
		AC Transit	Route 801	667,852
		MUNI	Route 14	187,501
		SamTrans	Route 397	305,876
		Total	1,827,000	
8	MUNI Metro 3rd Street	SF MUNI	Metro 3rd Street extension	2,500,000
9	AC Transit Rapid Bus Corridor	AC Transit	Enhanced Bus Service in the Berkeley/Oakland/San Leandro Corridor	3,000,000
10	TransLink®	MTC	Operations	1,400,000
11	WETA planning	WETA	Planning and operations	3,000,000
			Grand Total	38,952,223

Notes: 1. The amounts listed reflect the RM-2 base subsidy, with certain projects subject to a 1.5% annual escalation rate through FY 2007-08. Escalation was suspended starting in FY 2008-09 until RM2 BATA RM2 receipts surpass the amounts budgeted to fund the legislative operating projects.

Vallejo Ferry Service

Operating Costs	Budgeted FY 2008/09	Estimate FY 2009/10	Estimate FY 2010/11	Estimate FY 2011/12	Estimate FY 2012/13	Estimate FY 2013/14	Five Year Total
Vessels							
Service Contract	4,508,548	4,747,000	4,889,410	5,036,082	5,187,175	5,342,790	25,202,468
Route 200	1,712,456	1,712,000	1,763,360	1,816,281	1,870,749	1,926,871	9,089,241
Maintenance	1,459,000	1,503,000	1,548,090	1,594,533	1,642,369	1,691,640	7,979,631
Fuel & Lubes	5,183,495	4,458,000	4,680,900	4,914,945	5,160,682	5,418,727	24,633,264
Vessel Insurance	334,000	344,000	361,200	379,280	398,223	418,134	1,900,817
Subtotal	13,297,499	12,764,000	13,242,960	13,741,091	14,259,208	14,798,162	68,805,421
Terminals							
Landing Four-Rent	38,000	40,000	41,200	42,436	43,709	45,020	212,365
Maintenance and Utilities	250,737	259,000	266,770	274,773	283,016	291,507	1,375,066
Security	63,809	66,000	67,950	70,019	72,120	74,284	350,403
Subtotal	352,546	365,000	375,950	387,229	398,845	410,811	1,937,835
Other							
Local Transit Transfers							
Administration	1,010,822	752,162	778,488	805,735	833,935	863,123	4,033,443
Subtotal	1,010,822	752,162	778,488	805,735	833,935	863,123	4,033,443
Total Operating Costs	14,660,867	13,881,162	14,397,398	14,934,054	15,491,988	16,072,096	74,776,698

Vallejo Ferry Service (Continued)

Operating Revenues	Budgeted FY 2008/09	Estimate FY 2009/10	Estimate FY 2010/11	Estimate FY 2011/12	Estimate FY 2012/13	Estimate FY 2013/14	Five Year Total
Fares	6,617,316	6,320,000	6,487,000	6,772,749	7,046,199	7,330,689	32,947,637
Regional Measure 1	1,792,739	1,356,400	1,356,400	1,356,400	1,356,400	1,356,400	6,782,000
Regional Measure 2 - Vallejo	2,735,801	2,740,500	2,740,500	2,740,500	2,740,500	2,740,500	13,702,500
Regional Measure 2 - WETA	1,962,664	-	-	-	-	-	-
Federal 5307 Preventative Maint	1,208,032	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Solano County	300,000	-	-	-	-	-	-
Miscellaneous Other	284,615	21,000	21,000	21,000	21,000	21,000	105,000
Total Revenues	14,660,867	11,437,900	11,585,900	11,890,649	12,164,099	12,488,589	59,537,137

Operating Surplus/(Defect)*	(2,443,262)	(2,801,498)	(3,043,405)	(3,327,890)	(3,623,507)	(3,623,507)	(15,239,561)
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Operating Statistics	Budgeted FY 2008/09	Estimate FY 2009/10	Estimate FY 2010/11	Estimate FY 2011/12	Estimate FY 2012/13	Estimate FY 2013/14
Cost per Vessel Hour	\$1,739	\$1,647	\$1,708	\$1,772	\$1,836	\$1,907
Farebox Recovery Ratio	45%	46%	45%	45%	45%	46%
Annual Vessel Hours	9,430	8,430	8,430	8,430	8,430	8,430

* Defect to be funded with WETA RMC

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director

SUBJECT: Authorize the Metropolitan Transportation Commission to Directly Allocate FY 2010/11 Regional Measure 1 and Regional Measure 2 Funds to the Cities of Alameda and Vallejo to Support Ferry Operations

Recommendation

Approve, by resolution, direct MTC allocation of FY 2010/11 Regional Measure 1 and Regional Measure 2 funds to the cities of Alameda and Vallejo to support ferry services.

Background/Discussion

In November 1989, voters approved Regional Measure 1 (RM1), authorizing a toll increase on all state owned bridges in the Bay Area. Five percent (RM1-5%) of the revenue derived from this toll increase may be programmed and allocated by MTC for ferry transit operations and bicycle related planning and two percent (RM1-2%) of the revenue from the toll increase is to be programmed and allocated solely for the capital costs associated with the design, construction, and acquisition of rapid water transit systems. MTC has historically allocated these funds to the City of Alameda and the City of Vallejo to support annual ferry operating and capital expenses.

In 2004, voters approved Regional Measure 2 (RM2), authorizing an additional toll increase on the state owned bridges in the Bay Area. This program included up to \$2.74 million annual operating funds for expanded Vallejo ferry services and \$12.56 million for WTA/WETA services.

Senate Bill 976 stipulated that Regional Measure 1 and Regional Measure 2 funds for ferries were to be made available to WETA as of January 1, 2008, in order to support operation of a regional ferry system to be implemented by the agency. However, this legislated re-direction of funds has preceded actual transfer of operating responsibility for the Vallejo and Alameda ferry services to WETA. In order to ensure a smooth and efficient flow of funds to support these city-managed services in 2010/11, MTC will allow direct allocation of RM1 and RM2 funds to the cities for the first half of FY 2010/11, provided WETA concurrence with this action. Third and fourth quarter operating funds will likely be allocated directly to WETA by MTC for use in providing transitioned services and/or for pass-through to the cities, depending upon the status of the respective service transition efforts.

Current plans for direct allocations of RM1 and RM2 funds to the cities in FY 2010/11, which were developed in consultation with the cities and MTC, consistent with the cities budgets, are as follows:

City of Alameda

RM1 – 5% Operating	\$1,518,157
RM2 Operating	440,000
RM1 – 2% Capital	<u>500,000</u>
<i>Total</i>	\$2,458,157

City of Vallejo

RM1 – 5% Operating	\$1,256,800
RM2 – Operating	2,740,500
RM2 – Operating Increment	1,583,992
RM2 – Transition	197,710
RM1 – 2% Capital	<u>0</u>
<i>Total</i>	\$5,779,002

Staff recommends that the Board authorize MTC to directly allocate these funds to the cities to support FY 2010/11 ferry service operation.

Financial Implications

There is no direct financial impact to WETA related to this item.

END

MEMORANDUM

TO: Board Members

FROM: Nina Rannells, Executive Director
Leamon Abrams, Manager, Public Affairs

SUBJECT: Approve Amendment No. 1 to the Agreement with The M-Line Inc. for Marketing Services

Recommendation

Approve Amendment No. 1 to the agreement with The M-Line Inc. in the amount of \$120,000 and authorize the Executive Director to execute the amendment.

Background

WETA has identified the need to develop marketing plans to communicate and raise awareness of the emergency response, transit, and customer-focused benefits of consolidated regional ferry services and to eventually guide, launch and sustain advertising required to maintain and build ferry ridership.

On October 1, 2009, the Board approved an agreement with the M Line to assist WETA in implementing a creative and comprehensive system identity, or branding strategy, and to guide WETA's investments in marketing resources. The M-Line's team includes Barnes, Mosher, Whitehurst, Lauter & Partners (BMWV) as a sub-consultant to assist with the development of communication strategies for targeted stakeholder engagement and advocacy.

Phase I work, authorized in the amount of \$70,000, included:

- Identifying stakeholders and developing communication strategies for targeted stakeholder engagement and advocacy;
- Developing a plan for branding an identity for WETA's ferry services; and
- Identifying options for communicating the branding strategy and marketing messages.

As a part of this work, The M-Line/BMWV undertook a needs assessment, held meetings with key stakeholders, conducted research on the WETA brand position, and completed an assessment of local/regional advocacy needs.

Discussion

On June 17, 2010, The M-Line presented WETA with a Preliminary Brand Foundation Document. The brand foundation describes the unique role of WETA and its services and recommends a positioning statement defining WETA's key point(s) of differentiation, a compelling value proposition, and a reason to believe that ferry services are special and valuable.

The M-Line's research identified a fragmented consumer audience and recommended the creation of a brand that builds a connection or an emotional attachment between customers (and the public) and ferry service. The M-Line proposed that WETA utilize the differentiating brand position of "*Fresh Perspective*" and suggested that WETA's brand promise is that "*WETA ferries are a relevant commute option because the ease of use, reliability and low-stress*

ambiance provides a daily opportunity to gain a fresh perspective.” This brand promise will be used to anchor the next phase of contract work.

During the discussion at the June 17 Board meeting, staff indicated that we would return in July with a contract amendment and budget to enable us to move the next phase of brand development and marketing efforts forward. The proposed work at this time includes:

System Branding and Launch Plan

This involves name and logo development for WETA's regional ferry services and will translate the approved brand identity and name into a graphic standards system with finalized graphics for identity/logo, color palette, typography, brand style guidelines and all graphic elements. This would also include development of some initial collateral materials and development of a launch campaign for communicating the new brand throughout the system. This work would be completed in order to coincide with the consolidation of Alameda-Oakland, Harbor Bay, and Vallejo ferry services under WETA.

Marketing Support

City of Vallejo has indicated a desire to receive assistance in developing marketing opportunities to re-capture former ferry commuters. WETA could work with the City of Vallejo on this effort through utilization of M-Line services. WETA would expect that actual marketing efforts resulting from this plan would be paid for out of the Vallejo system operating budget.

Staff estimates the work above to cost up to \$120,000. Services will be implemented through task orders issued by WETA for each major task. Actual expenditures will be based upon these task orders, which establish budget limits and work requirements.

Potential additional future work would include implementation of the launch campaign, which could include such items as updating system communications and website, media purchases, re-branding ferries and implementation of an active outreach campaign. Once a launch campaign is defined, staff would return to the Board with a recommendation regarding an implementation approach and budget.

Fiscal Impact

Funding for these services is included in the approved FY 2010/2011 budget.

END

MEMORANDUM

TO: Board Members

**FROM: Nina Rannells, Executive Director
Lynne Yu, Manager, Finance & Grants**

SUBJECT: Authorize the Issuance and Sale of a \$10,250,000 Revenue Bond and Execution and Delivery of a Trust Agreement and Bond Purchase Contract and All Other Necessary Associated Actions

Recommendation

Authorize, by resolution, the issuance and sale of a Revenue Allocation Bond in a principal amount not to exceed \$10,250,000 to finance the construction of the South San Francisco Ferry Terminal project and authorize the Executive Director to:

- a) Execute and deliver a Trust Agreement;
- b) Execute and deliver a Bond Purchase Contract; and
- c) Execute and deliver other associated bond documents as required.

Background/Discussion

The construction of the South San Francisco Ferry Terminal project is supported by a combination of grant funds from the Federal Transit Administration (FTA), State Proposition 1B (Prop 1B) and Measure A Sales Tax funds from the San Mateo County Transportation Authority. FTA regulations allows for the advance of federal grant funds on the condition that they are disbursed or used within 3 business days. Further, pursuant to SB 1203, WETA has received the Prop 1B grant funds for the project in advance of construction expenditure. While both FTA and Prop 1B funds are ready and available to pay project costs, funds from Measure A are only available on a reimbursement basis. The reimbursement of Measure A funds, which total up to \$15 million for the SSF Terminal Construction project, takes up to 6 weeks to receive, causing a cash flow issue for WETA in implementing the SSF terminal construction project.

Staff has explored several options over the last several months in order to address the cash flow issue resulting from the reimbursement nature of Measure A funds, including seeking loans or advances from MTC or the SMCTA to address this working capital deficit. Through these discussions, MTC has identified the option for WETA to issue a short-term (3-year) private placement revenue bond, to be purchased by MTC. The proceeds of this bond sale would be deposited into a trust to be used as working capital to make capital construction payments in advance of Measure A reimbursements; satisfying the cash flow needs for the project construction. As structured, all debt service payments would be made with Regional Measure 2 operating funds allocated to WETA by MTC over the next three years. This structure would both serve to address the immediate cash flow needs for the SSF Terminal construction and, upon final maturity, provide WETA with a bank of funds (approximately \$10 million) that will provide financial stability and capacity needed to meet future working capital and cash needs.

This item authorizes WETA to issue a Revenue Bond with a 3-year maturity pursuant to its authority under 66540.43 of the Government Code, in a form consistent with the draft Bond Purchase Contract provided as **Attachment 1** to this item. The bond proceeds will be used to create a

working capital account to pay project costs associated with the South San Francisco Ferry Terminal project and issuance costs. The following actions will be taken:

- a) WETA issues a taxable Revenue Bond not to exceed \$10.25 million (\$10 million for project cost and \$0.25 million to cover issuance cost) to be secured by a pledge of 1) RM2 operating funds and 2) San Mateo County Measure A funds designated for the South San Francisco Ferry Terminal project.
- b) MTC agrees to purchase the Revenue Bond as a permitted investment of its funds in a private placement transaction. At the current market, the estimated interest rate is about 5.90% annually, for a 3-year structure.
- c) Proceeds of the bond issue will be deposited into a trust, established by WETA with U.S. Bank National Association, and authorized as a part of this item, consistent with the draft Trust Agreement provided as **Attachment 2** to this item;
- d) Funds deposited to the trust will be deposited into a *Project Fund* account, established by the Trustee, to be used to pay project costs and a *Cost of Issuance Fund* account to be used to pay cost incurred in connection with the issuance of the Revenue Bond.
- e) MTC will allocate RM2 operating funds, up to \$4 million annually, for 3 years, to pay debt service on the Revenue Bond pursuant to an established debt service schedule. The proposed debt service payment schedule is provided as **Attachment 3**. The final debt service schedule will be determined on the date of issuance, based upon the appropriate market interest rate at that time.
- f) MTC will transfer such RM2 funds to the trustee, who will deposit the funds into the *Debt Service Fund* account to pay debt service to MTC as sole holder of the WETA bond.
- g) WETA will deposit Measure A reimbursements into the *Measure A Holding Fund* account, as a secondary pledge, to be used for debt service payment only if funds in the Debt Service Fund account are insufficient to make the scheduled payment.
- h) When the total balance of all funds in the *Debt Service Fund* and *Measure A Holding Fund* accounts exceed the amounts necessary to pay all remaining principal and interest on the Revenue Bond, the excess amount in the Measure A Holding account will be transferred to a *Surplus Fund* account. WETA may at any time submit a request to the Trustee to release all or a portion of the amounts held in the *Surplus Fund* account.
- i) All interest earnings on amounts in the *Debt Service Fund* account will be transferred to the *Project Fund* account.
- j) Upon the final payment of the debt service to MTC (June 1, 2013), and upon payment of all amounts due under the bond, the trustee will distribute to WETA any remaining funds under the trust agreement to be used for any lawful purpose.

Staff has worked closely with our legal counsel and the Metropolitan Transportation Commission's staff, CFO, bond counsel from Orrick, Herrington & Sutcliffe and private placement agents from Stone & Youngberg over the last several months to develop the terms and conditions of the agreement and prepare the attached draft Bond Purchase Contract, draft Trust Agreement and transaction resolution and recommends that the Board of Directors authorize action on this item as proposed.

Fiscal Impact

The issuance of the Revenue Allocation Bond will provide bridge funding to the Measure A funds for the South San Francisco Ferry Terminal project. Also, by utilizing the annual allocation of RM2 operating funds to pay the debt service, WETA will be able to establish sufficient financial capacity to meet future working capital needs as it takes on expanded system construction and operating requirements in the future.

END

\$10,250,000
SAN FRANCISCO BAY AREA
WATER EMERGENCY TRANSPORTATION AUTHORITY
REVENUE BOND, SERIES 2010

BOND PURCHASE CONTRACT

July ____, 2010

San Francisco Bay Area Water
Emergency Transportation Authority
San Francisco, California

Ladies and Gentlemen:

The undersigned (the “*Purchaser*”) offers to enter into this Bond Purchase Contract (this “*Bond Purchase Contract*”) with the San Francisco Bay Area Water Emergency Transportation Authority (the “*Issuer*”). Upon acceptance of this offer, this Bond Purchase Contract shall be binding upon the Issuer and the Purchaser. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Trust Agreement (defined below).

1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth herein, the Purchaser agrees to purchase from the Issuer, and the Issuer agrees to sell to the Purchaser, all (but not less than all) of the \$10,250,000 principal amount of the San Francisco Bay Area Water Emergency Transportation Authority Revenue Bond, Series 2010 (the “*Series 2010 Bond*” or the “*Bond*”). The Bond shall be purchased at a purchase price equal to the principal amount of the Bond, with no discount or premium.

2. The Bond is authorized by the San Francisco Bay Area Water Emergency Transportation Response and Disaster Recovery Act, being Title 7.10 of the California Government Code commencing with Section 66540 (the “*Act*”). The Bond is further authorized by a Resolution of the Issuer, adopted by the Issuer’s Board of Directors on July ____, 2010 (the “*Resolution*”). The Bond shall be issued pursuant to the Revenue Bond Law of 1941, commencing with Section 54300 *et seq.* of the California Government Code (as and to the extent incorporated by reference into the Act) (the “*Bond Law*”), the Resolution and a Trust Agreement, dated as of July 1, 2010 (the “*Trust Agreement*”), between the Issuer and U.S. Bank National Association, as trustee (the “*Trustee*”). The Bond shall be secured by a pledge of the Pledged Funds, including the RM2 Operating Revenues and the Measure A Revenues, as provided in the Trust Agreement. The Issuer is entitled to request and receive the Measure A Revenues pursuant to the Three Party Agreement Regarding Distribution and Use of San Mateo County Measure A Revenues for Ferry Service Between South San Francisco and Oakland, dated July 15, 2009, by and among the Authority, the City and the San Mateo County Transportation Authority (the “*Three Party Agreement*”).

The Issuer has determined to sell the Bond at a negotiated sale in accordance with California Government Code Section 54416.

3. The Bond shall be dated the date of Closing, and shall mature on the date and bear interest at the rate, payable at the times, and shall be subject to redemption, all as set forth on *Exhibit A* attached hereto.

4. The Purchaser represents and warrants and covenants to the Issuer as follows:

(a) The Purchaser has full power and authority to purchase the Bond and to enter into this Bond Purchase Contract and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bond. The Purchaser has duly authorized the execution and delivery of, and the performance by the Purchaser of its obligations contained in, this Bond Purchase Contract. This Bond Purchase Contract (assuming due authorization, execution and delivery by and validity against the Issuer) constitutes and, as of the date of the Closing, will constitute, the valid and binding agreement of the Purchaser enforceable in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California (the "*State*").

(b) The Purchaser has sufficient knowledge and experience in financial and business matters, including (i) purchase and ownership of municipal and other tax-exempt and taxable obligations, and (ii) the purchase and ownership of illiquid securities, to be able to evaluate the risks and merits of the purchase of the Bond.

(c) To the knowledge of the Purchaser, there is no litigation pending (with service of process against the Purchaser having been accomplished) or threatened against the Purchaser: (1) seeking to restrain or enjoin the purchase by the Purchaser of the Bond, or (2) challenging any proceeding of the Purchaser taken with respect to the foregoing.

(d) All authorizations and approvals that are or will be necessary for the purchase of the Bond or for the valid execution, delivery or performance of this Bond Purchase Contract have been obtained, other than as may be necessary under blue sky or other securities laws and regulations of the various states.

(e) The execution, delivery and performance of this Bond Purchase Contract does not and will not conflict with, or result in a violation of, any provision of law, or any order, writ, rule or regulation of any court or government agency or instrumentality binding upon or applicable to the Purchaser and does not and will not in any material aspect conflict with, result in a violation of, or constitute a default under, any agreement or instrument, to which the Purchaser is a party or by which the Purchaser or any of its property is bound, which would, in any such case, materially and adversely affect the Purchaser's ability to perform its obligations with respect to this Bond Purchase Contract.

(f) In making its decision to purchase the Bond, the Purchaser acknowledges that it has either been supplied with or has had access to information to which a reasonable investor would attach significance in making investment decisions, and it has

had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Bond and the security therefor, so that as a reasonable investor it has been able to make its decision to purchase the Bond.

(g) The Purchaser understands that the Bond (i) is not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (ii) will not be listed on any stock or other securities exchange, (iii) will carry no rating from any rating service, (iv) may not be sold except as provided in paragraph (h) below, and (v) due to lack of a rating may not be readily marketable. The Purchaser further understands that the Bond has not been registered under the Securities Act of 1933, as amended, and that such registration is not legally required.

(h) The Purchaser is purchasing the Bond for its own account and not with a view toward or for sale in connection with any distribution thereof. The Purchaser has no present intent to (i) dispose of all or any part of the Bond, (ii) divide the Bond into participation interests or other units for sale, or (iii) deposit the Bond into any fund or trust of which participation interests can be sold to other parties. The Purchaser understands that the Bond is subject to resale restrictions and may not be marketable, so that the Purchaser will be required to bear the risk of this investment for a certain period of time. The Purchaser is able to bear the economic risk associated with this investment. Although the Purchaser represents that it is purchasing the Bond for its own account and not with a view to resale, to maintain adequate fiscal flexibility and liquidity, the Purchaser may sell the Bond in accordance with the Trust Agreement.

(i) The Purchaser understands that neither the Issuer nor anyone else has prepared or provided any offering statement, prospectus, offering circular, private placement memorandum or other comprehensive offering statement containing material information with respect to the Bond or the Issuer.

5. The Issuer represents and warrants and covenants to the Purchaser as follows:

(a) The Issuer is duly organized and validly existing under the laws of the State of California and has full power and authority to enter into this Bond Purchase Contract and the Trust Agreement and to issue and deliver the Bond to the Purchaser as provided in this Bond Purchase Contract and the Trust Agreement. The Issuer has duly authorized the execution and delivery of, and the performance by the Issuer of its obligations contained in, the Bond, this Bond Purchase Contract and the Trust Agreement. This Bond Purchase Contract (assuming due authorization, execution and delivery by and validity against the Purchaser) constitutes and, as of the date of the Closing, this Bond Purchase Agreement and the Trust Agreement (assuming due authorization, execution and delivery by and validity against the other parties thereto) and the Bond will constitute, the valid and binding agreements of the Issuer enforceable in accordance with their respective terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors’ rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State.

(b) The Issuer's Board of Directors has full power and authority to adopt its Resolution approving the Bond, this Bond Purchase Contract and the Trust Agreement. The Resolution has been duly adopted by the Issuer's Board of Directors empowered to do so and will not be modified, amended or repealed prior to the Closing and is valid and binding and in full force and effect as of the date hereof.

(c) The Issuer duly authorized the execution and delivery of the Three Party Agreement, and said agreement (assuming due authorization, execution and delivery by and validity against the other parties thereto) constitutes the valid and binding agreement of the Issuer, enforceable in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State. The Three Party Agreement remains in full force and effect and has not been supplemented, modified or amended.

(d) To the knowledge of the Issuer, there is no litigation pending (with service of process against the Issuer having been accomplished) or threatened against the Issuer: (1) seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bond, or (2) challenging the validity of the Bond, the Trust Agreement or the Three Party Agreement, or the pledge of the Pledged Funds, or any proceeding of the Issuer taken with respect to the foregoing, or (3) challenging the organization or existence of the Issuer or the entitlement to their respective offices of any of the officers who caused the Bond to be executed and delivered on behalf of the Issuer, or (4) challenging the power or authority of the Issuer to request and receive the Measure A Revenues pursuant to the Three Party Agreement or the RM 2 Operating Revenues.

(e) The Bond, when issued and delivered in accordance with the Act, the Bond Law, the Resolution and the Trust Agreement and sold to the Purchaser as provided herein, will be validly issued and outstanding obligations of the Issuer enforceable in accordance with their terms and entitled to the benefits of the Act, the Bond Law, the Resolution and the Trust Agreement, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting the creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State.

(f) All authorizations, approvals, licenses, permits, consents, filings, registrations and orders of any court or governmental authority or agency having jurisdiction of the matter that is or will be necessary for the issuance, sale, execution and delivery of, and payment of the principal of and interest on, the Bond, or for the valid execution, delivery or performance of the Resolution, the Trust Agreement, the Three Party Agreement or this Bond Purchase Contract have been obtained, other than as may be necessary under blue sky or other securities laws and regulations of the various states.

(g) The execution, issuance and delivery of, and the payment of principal of and interest on, the Bond and the execution, delivery and performance of the Resolution, the Trust Agreement, the Three Party Agreement and this Bond Purchase Contract do not and will not conflict with, or result in a violation of, any provision of law, including the constitution of the State, or any order, writ, rule or regulation of any court or government agency or instrumentality binding upon or applicable to the Issuer and do not and will not in any material aspect conflict with, result in a violation of, or constitute a default under, any agreement or instrument, to which the Issuer is a party or by which the Issuer or any of its property is bound, which would, in any such case, materially and adversely affect the Issuer's ability to perform its obligations with respect to this Bond Purchase Contract, the Trust Agreement, the Resolution and the Bond.

(h) All written information provided by the Issuer to the Purchaser concerning the Issuer, the Issuer's finances, the Three Party Agreement and the Measure A Revenues is true and accurate in all material respects and does not include a false statement of a material fact or omit any material fact necessary to make the statements therein, under the circumstances in which they are made, not misleading.

6. At 9:00 a.m., California time, on August 3, 2010, or at such other time or on such other business day as shall have been mutually agreed upon by the Issuer and the Purchaser, subject to the terms and conditions of this Bond Purchase Contract, the Issuer will deliver or cause to be delivered to the Purchaser at the office of _____ in San Francisco, California, or such other place as may be mutually agreed upon, the documents required to be delivered pursuant to this Bond Purchase Contract, and, the Purchaser will accept delivery of the Bond and such documents and pay the purchase price of the Bond (in the manner hereinafter described) as set forth in Section 1 by a wire transfer of immediately available funds to the order of the Issuer or pay such balance as otherwise agreed between the Purchaser and the Issuer (such payment and delivery of documents are herein called the "Closing"). It is anticipated that CUSIP identification numbers will be printed, typewritten, lithographed or word processed on the Bond, but neither the failure to include a CUSIP identification number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bond in accordance with the terms of this Bond Purchase Contract. The Bond shall be delivered to the Purchaser agent in registered form through the book entry system of the Depository Trust Company.

7. The Purchaser has entered into this Bond Purchase Contract in reliance upon the representations, warranties and covenants of the Issuer contained herein and the performance by the Purchaser of its obligations hereunder are and shall be subject to the following further conditions:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects on the date of this Bond Purchase Contract and as of the date of the Closing with the same effect as if made on and as of such date.

(b) At the time of the Closing: (1) the Resolution, the Trust Agreement and this Bond Purchase Contract shall be in full force and effect, and shall not have been

amended, modified or supplemented (except as may have been agreed to in writing by the Purchaser); and (2) the Issuer shall perform or have performed its obligations required by this Bond Purchase Contract, the Trust Agreement and the Resolution to be performed at or prior to the Closing.

(c) The Purchaser shall have the right to cancel its obligation to purchase the Bond by written notification by the Purchaser to the Issuer if at any time after the date hereof and prior to the Closing the Purchaser determines there has been a material, adverse change in the financial condition of the Issuer or its ability to repay the Bond, not known to Purchaser at the time of execution of this Bond Purchase Contract.

(d) At or prior to the Closing, the Purchaser and the Issuer shall have received each of the following documents:

(1) (a) An opinion of Nossaman LLP (“*Nossaman*”) as Bond Counsel, dated the date of Closing, addressed to the Issuer substantially in the form attached hereto as *Exhibit B*, and (b) a supplemental opinion of Nossaman addressed to the Purchaser in substantially the form attached hereto as *Exhibit C*.

(2) A certificate of the Issuer, dated the date of the Closing, executed by the Issuer’s Executive Director to the effect that the representations and warranties of the Issuer in this Bond Purchase Contract are true and correct in all material respects on and as of the date of Closing with the same effect as if made on and as of such date, and the Issuer has complied with and performed all of its covenants and agreements in this Bond Purchase Contract to be complied with and performed at or prior to the Closing;

(3) A certificate of the Purchaser, dated the date of the Closing, executed by the Purchaser to the effect that the representations and warranties of the Purchaser in this Bond Purchase Contract are true and correct in all material respects on and as of the date of Closing with the same effect as if made on and as of such date, and the Purchaser has complied with and performed all of its covenants and agreements in this Bond Purchase Contract to be complied with and performed at or prior to the Closing;

(4) Certified copies of the Resolution;

(5) Executed copies of the Trust Agreement;

(6) A certificate, dated the date of the Closing, signed by a duly authorized official of the Trustee to the effect that (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Trust Agreement; (ii) the Trustee is duly authorized to enter into, has duly executed and delivered the Trust Agreement and has duly authenticated and delivered the Bond; (iii) the execution and delivery of the Trust Agreement and compliance with the provisions on the Trustee’s part contained therein, will not conflict with or constitute a breach of or default under

any law, administrative regulation, judgment, decree, material agreement or material instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Trust Agreement under the terms of any such law, administrative regulation, judgment, decree, material agreement or material instrument, except as provided by the Trust Agreement; and (iv) to its knowledge it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor to its knowledge is any such action threatened against the Trustee affecting the existence of the Trustee, or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Trust Agreement, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under the Trust Agreement, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability against the Trustee of the Trust Agreement;

(7) An opinion of counsel to the Trustee, dated the date of the Closing and addressed to the Issuer and the Purchaser, to the effect that (i) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America and has the corporate power to execute and deliver the Trust Agreement and any other documentation relating to the Trust Agreement, and to perform its obligations under the Trust Agreement; (ii) the execution and delivery by the Trustee of the Trust Agreement and any other documentation relating to the Trust Agreement, and its performance of its obligations under the Trust Agreement, have been and are as of the date hereof duly authorized by all necessary corporate action; (iii) no approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by the Trustee of the Trust Agreement; and (iv) the Trust Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of the Trustee enforceable against it in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law);

(8) Evidence of required filings with the California Debt and Investment Advisory Commission; and

(9) Any other documents, opinions and/or certifications, in form and substance reasonably requested by and acceptable to the Purchaser and its counsel.

The opinions, certificates and other materials referred to above shall be in form and substance satisfactory to the Purchaser and its counsel.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Purchaser to purchase, to accept delivery of and to pay for the Bond contained in this Bond Purchase Contract (unless waived by the Purchaser) or if the obligations of the Purchaser to purchase, to accept delivery of and to pay for the Bond shall be terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract shall terminate and neither the Purchaser nor the Issuer shall be under further obligation hereunder, except that the respective obligations of the Issuer and the Purchaser set forth in Section 8 of this Bond Purchase Contract shall continue in full force and effect.

8. Except as provided below, the Issuer shall pay or cause to be paid all expenses incident to the issuance and sale of the Bond as herein provided, including but not limited to: (a) the cost of the preparation and printing or other reproduction and distribution of the Resolution and the Bond, (b) the fees and disbursements of Bond Counsel, (c) the fees of any financial advisor for the Issuer, (d) the fees and disbursements of Orrick, Herrington & Sutcliffe, as counsel to the Purchaser, (e) a fee of \$27,500 to Stone & Youngberg LLC, as Placement Agent, (f) a fee of \$17,500 to Nixon Peabody LLP, as counsel to the Placement Agent, (g) the fee of the California Debt and Investment Advisory Commission, (h) the fees related to obtaining CUSIP numbers, and (i) the fees and disbursements of any other experts or consultants retained by the Issuer in connection with the transaction contemplated hereby. The Purchaser shall pay all any other expenses incurred by it.

9. Any notice or other communication to be given to the Issuer under this Bond Purchase Contract may be given by delivering the notice or communication in writing (including by fax) to the San Francisco Bay Area Water Emergency Transportation Authority, Pier 9, Suite 111, The Embarcadero, San Francisco, CA 94111, Attention: Nina Rannells (fax: 415-291-3388); any notice or other communication to be given to the Purchaser under this Bond Purchase Contract may be given by delivering the notice or communication in writing to the Metropolitan Transportation Commission, 101 Eighth Street, Oakland, CA 94607, Attention: Brian Mayhew (fax: 510-817-5934).

10. This Bond Purchase Contract shall constitute the entire agreement between the Purchaser and the Issuer and is made solely for the benefit of the Issuer and the Purchaser (including any successors of the Purchaser). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Issuer and the Purchaser in this Bond Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigation made by or on behalf of the Purchaser or the Issuer; (b) delivery of payment for the Bond hereunder; and (c) any termination of this Bond Purchase Contract.

11. This Bond Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

12. This Bond Purchase Contract shall be governed by and interpreted under the laws of the State. This Bond Purchase Contract shall be enforceable in the State and any action arising out of to this Bond Purchase Contract shall be brought in the courts of the State located in the City and County of San Francisco or the County of Alameda, California and, by execution and delivery of this Bond Purchase Contract, the parties hereto consent and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which they may now have or hereafter have to the bringing of any such action or proceeding in such jurisdictions.

IN WITNESS WHEREOF, the Purchaser has executed and delivered this Bond Purchase Contract as of the date first written above.

Very truly yours,

METROPOLITAN TRANSPORTATION
COMMISSION, as Purchaser

By: _____
Chief Financial Officer

Accepted:

SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION
AUTHORITY

By: _____
Executive Director

EXHIBIT A

MATURITY, PRINCIPAL AMOUNT, INTEREST RATES

<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INITIAL INTEREST RATE</u>
June 1, 2013	\$10,250,000	%

Interest Payment Dates: June 1 and December 1, commencing December 1, 2010 and on maturity or earlier redemption.

REDEMPTION PROVISIONS

Mandatory Redemption from Sinking Fund payments as follows:

<u>Date (June 1)</u>	<u>Sinking Fund Payment</u>
2011	\$
2012	
2013	

No Optional Redemption

EXHIBIT B

FORM OF OPINION OF BOND COUNSEL

August 3, 2010

San Francisco Bay Area Water
Emergency Transportation Authority
San Francisco, California

\$10,250,000
San Francisco Bay Area
Water Emergency Transportation Authority
Revenue Bond, Series 2010

(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the San Francisco Bay Area Water Emergency Transportation Authority (the “Issuer”) of \$10,250,000 aggregate principal amount of San Francisco Bay Area Water Emergency Transportation Authority Revenue Bond, Series 2010, dated August 3, 2010 (the “Bond”), issued under the San Francisco Bay Area Water Emergency Transportation Response and Disaster Recovery Act, codified as Title 7.10 commencing with Section 66540 of the California Government Code (the “Act”). The Bond is authorized pursuant to the Act and is issued pursuant to the Revenue Bond Law of 1941, commencing with Section 54300 of the California Government Code, as and to the extent incorporated into the Act (the “Bond Law”). The Bond is further authorized and issued pursuant to Resolution _____ adopted on July __, 2010 by the Board of Directors of the Issuer (the “Resolution”) and a Trust Agreement, dated as of July 1, 2010 (the “Trust Agreement”) between the Issuer and U.S. Bank, National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Trust Agreement.

In such connection, we have examined the Act, the Bond Law, the Resolution, the Trust Agreement, certifications of the Issuer and the Trustee, an opinion of counsel to the Trustee, and such other documents and matters deemed necessary by us to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all documents and the signatures thereto.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our

attention after the date hereof. Furthermore, we have assumed compliance with the agreements and covenants contained in the Trust Agreement.

We call attention to the fact that the rights and obligations under the Bond, the Trust Agreement and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against the Issuer. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any offering material relating to the Bond and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bond, and the Bond constitutes the valid and binding obligation of the Issuer payable in accordance with the Trust Agreement from the Pledged Funds.

2. The issuance, execution, sale and delivery of the Bond, and the execution and delivery of the Trust Agreement, have been duly authorized by the Issuer, and the Trust Agreement is a valid and binding obligation of the Issuer, enforceable in accordance with its terms.

3. The Trust Agreement creates the valid trust and pledge it purports to create in the Pledged Funds.

Very truly yours,

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

August 3, 2010

Metropolitan Transportation Commission
Oakland, California 94607

\$10,250,000
San Francisco Bay Area
Water Emergency Transportation Authority
Revenue Bond, Series 2010

(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Purchaser, pursuant to Section 7(d)(1) of the Bond Purchase Contract, dated July __, 2010 (the "Purchase Contract"), between you and the San Francisco Bay Area Water Emergency Transportation Authority (the "Issuer"), providing for the purchase of the above-captioned bond (the "Bond"). Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Purchase Contract.

In connection with our role as bond counsel and as general counsel to the Issuer, we have reviewed the Purchase Contract, the Resolution, the Trust Agreement, the Three Party Agreement, the Bond (collectively, the "Issuer Documents"), the Act, the Bond Law, certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

In connection with the issuance of the Bond, we have delivered our final approving opinion concerning the validity of the Bond and certain other matters, addressed to the Issuer and dated the date hereof. You may rely on such opinion as if it were addressed to you.

The opinions or conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the fourth paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under Bond, the Resolution, the Trust Agreement, the Three Party Agreement and the Purchase Contract and their

enforceability are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon and on the assumptions and limitations set forth in, as of the date hereof, we are of the following opinions:

1. The Bond is not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Issuer is duly organized and validly existing under the laws of the State of California and has full power, authority and legal right to execute and deliver the Issuer Documents.

3. The execution, delivery and performance by the Issuer of the Issuer Documents have been duly authorized by all appropriate action of the Board of Directors of the Issuer and do not and will not conflict with or constitute a breach of or default under any existing law, administrative regulation, court decree, resolution or agreement to which the Issuer is subject as of the date hereof.

4. All authorizations, consents or approvals of any court or governmental department, commission, board, bureau, agency, or instrumentality necessary to the valid execution and delivery by the Issuer of the Issuer Documents have been obtained and effected and are and will remain in full force and effect.

5. To the best of our knowledge, there is no litigation or other proceedings pending (with service of process against the Issuer having been accomplished) or threatened against the Issuer in any court or other tribunal of competent jurisdiction, state or federal, in any way: (1) seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bond, or (2) challenging the validity of the Bond, the Three Party Agreement or the Trust Agreement, or the pledge of the Pledged Funds, or any proceeding of the Issuer taken with respect to the foregoing, or (3) challenging the organization or existence of the Issuer or the entitlement to their respective offices of any of the officers who caused the Bond to be executed and delivered on behalf of the Issuer, or the power or authority of the Issuer to request and receive the Measure A Revenues pursuant to the Three Party Agreement or the RM2 Operating Revenues.

6. The Purchase Contract and the Three Party Agreement have been duly authorized, executed and delivered by the Issuer and each is a valid and binding obligation of the Issuer, enforceable in accordance with its terms.

This letter is furnished by us as bond counsel to the Issuer. No attorney-client relationship has existed or exists between our firm and yourselves in connection with the Bond or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as the

Purchaser of the Bond, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

Very truly yours,

Attachment 2

OH&S Draft
07/08/10

TRUST AGREEMENT

between

SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION
as Trustee

Dated as of July 1, 2010

relating to the

San Francisco Bay Area Water Emergency Transportation Authority
Revenue Bond, Series 2010

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TRUST AGREEMENT

This TRUST AGREEMENT, dated as of July 1, 2010 (this “Trust Agreement”), between the SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY, a local governmental entity of regional government duly organized and existing under and by virtue of the laws of the State of California (the “Authority”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the Authority is a local governmental entity of regional government duly organized and existing pursuant to the San Francisco Bay Area Water Emergency Transportation Response and Disaster Recovery Act, being Title 7.10 of the Government Code of the State of California (Section 66540 et seq.) (the “Act”);

WHEREAS, the Act authorizes the Authority, among other things, to issue, from time to time, bonds (the “Revenue Bonds”) payable from revenues of the Authority’s water transportation services system, including any or all facilities, additions and improvements that the Board of the Authority authorizes to be acquired or constructed, and revenues derived or otherwise allocable from any purpose, operation, facility, system, improvement, or undertaking of the Authority, in accordance with the provisions of the Revenue Bond Law of 1941, to the extent and as set forth in the Act;

WHEREAS, pursuant to Section 30914(d) of the Streets and Highways Code, each month the Authority is entitled to request and receive funds allocated to it by the Metropolitan Transportation Commission (“MTC”), including funds for operating expenses relating to certain transit operations of the Authority’s system (the “RM2 Operating Funds”), which funds are derived from revenues of a toll increase on seven San Francisco Bay Area bridges approved by voters in seven San Francisco Bay Area counties on March 2, 2004, a portion of which are appropriated in each fiscal year to MTC by the Bay Area Toll Authority;

WHEREAS, pursuant to (i) the 2004 San Mateo County Transportation Ordinance and Expenditure Plan (“Measure A”) approved by voters in San Mateo County on November 2, 2004 and (ii) that certain Three Party Agreement Regarding Distribution and Use of San Mateo County Measure A Funds for Ferry Service Between South San Francisco and Oakland, dated July 15, 2009 (the “Three Party Agreement”), by and among the Authority, the City of South San Francisco (the “City”) and the San Mateo County Transportation Authority (“SMCTA”); no less frequently than quarterly the Authority is entitled to request and receive funds allocated to it by the City (the “Measure A Revenues”), which funds are initially allocated to the City by SMCTA and are derived from the proceeds of the 1/2 cent transactions and use tax imposed throughout San Mateo County pursuant to Measure A;

WHEREAS, the Authority is entitled to request and receive the Measure A Revenues from the City on a reimbursement basis for expenditures relating to the construction of the South San Francisco Ferry Terminal Project (the “Project”);

WHEREAS, the Authority hereby determines it to be in its best interests to finance the costs of the Project in advance of receipt of Measure A Revenues as reimbursement from the City of the Authority's expenditures relating to the Project;

WHEREAS, in order to accomplish such financing, the Authority has determined to enter into this Trust Agreement in order to provide for the authentication and delivery of a Revenue Bond entitled "San Francisco Bay Area Water Emergency Transportation Authority Revenue Bond, Series 2010" (the "2010 Revenue Bond"), to establish and declare the terms and conditions upon which the 2010 Revenue Bond shall be issued and secured and to secure the payment of the principal thereof and interest thereon;

WHEREAS, the execution and delivery of this Trust Agreement has in all respects been duly and validly authorized by a resolution duly passed and approved by the Authority; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Agreement;

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of and the interest on the 2010 Revenue Bond when issued, authenticated and delivered hereunder and to provide the terms and conditions under which all property, rights and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the 2010 Revenue Bond by the owner thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee for the benefit of the owner, from time to time, of the 2010 Revenue Bond, as follows:

ARTICLE I

EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Equality of Security. In consideration of the acceptance of the 2010 Revenue Bond by the owner thereof from time to time, this Trust Agreement shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the owner from time to time of the 2010 Revenue Bond and the covenants and agreements herein set forth to be performed by or on behalf of the Authority or the Trustee shall be for the equal and proportionate benefit, security and protection of the owner of the 2010 Revenue Bond. Nothing herein shall prevent additional security being provided for the benefit of the 2010 Revenue Bond, such additional security to be specified in a supplement to this Trust Agreement.

Section 1.02. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement and of any supplement to this Trust Agreement and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Act means the San Francisco Bay Area Water Emergency Transportation Response and Disaster Recovery Act, being Title 7.10 of the Government Code of the State of California (Section 66540 *et seq.*), as now in effect and as it may from time to time hereafter be amended, supplemented or recodified.

Authority means the San Francisco Bay Area Water Emergency Transportation Authority created pursuant to the Act and any successor thereto.

Authorized Representative means the Executive Director of the Authority, the Deputy Executive Director of the Authority, or the Chief Financial Officer of the Authority, or such other person as may be designated to act on behalf of the Authority by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Authority by an Authorized Representative.

Bay Area Toll Authority means the Bay Area Toll Authority, a public entity duly established and existing pursuant to Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highways Code.

Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of the 2010 Revenue Bond, including, without limitation, any Person holding 2010 Revenue Bond through nominees or depositories, including the Depository.

Board means the governing body of the Authority.

Bond Counsel means a firm of nationally-recognized attorneys-at-law experienced in legal work relating to the issuance of municipal bonds selected by the Authority.

Bond Purchase Agreement means the Bond Purchase Agreement entered into by the Authority and MTC in connection with the offering and sale of the 2010 Revenue Bond, as the same may be supplemented, modified or amended in accordance with its terms.

Business Day means any day other than a Saturday, Sunday, or a day on which banking institutions in the State, the State in which the Corporate Trust Office is located or the State of New York are authorized or obligated by law or executive order to be closed.

Certificate, Statement, Request, Requisition and Order of the Authority mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Authority by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.03, each such

Certificate provided pursuant to this Trust Agreement shall include the statements provided for in Section 1.03.

City means the City of South San Francisco.

Closing Date means the date of issuance of the 2010 Revenue Bond.

Corporate Trust Office or **corporate trust office** means the designated corporate trust office of the Trustee, located in Los Angeles, California; provided, however, for transfer, registration, exchange, payment and surrender of the 2010 Revenue Bond, “Principal Office” means care of the corporate trust operations office of U.S. Bank National Association in St. Paul, Minnesota, or such other office designated by the Trustee from time to time.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution, sale and delivery of the 2010 Revenue Bond, including, but not limited to, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, fees and charges for preparation, execution, transportation and safekeeping of 2010 Revenue Bond, and any other cost, charge or fee incurred in connection with the issuance of the 2010 Revenue Bond.

Costs of Issuance Account means an account by that name established in the Costs of Issuance Fund pursuant to Section 4.02.

Costs of Issuance Fund means the fund by that name established pursuant to Section 4.02.

Debt Service Fund means the fund by that name established pursuant to Section 5.02.

Depository means The Depository Trust Company and its successors and assigns or any other depository selected as set forth in Section 2.10 hereof which agrees to follow the procedures required to be followed by such depository in connection with the 2010 Revenue Bond.

Electronic Means means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

Event of Default means any of the events specified in Section 7.01.

Excess Measure A Revenues shall have the meaning given to such term in Section 5.10.

Fiscal Year means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority.

Holder or Bondholder or Owner, whenever used herein with respect to the 2010 Revenue Bond, means, initially, MTC, or any other person in whose name the 2010 Revenue Bond is registered as successor or transferee of MTC.

Interest Account means an account by that name established in the Debt Service Fund pursuant to Section 5.04(a).

Interest Payment Date means each June 1 and December 1, commencing December 1, 2010.

Investment Securities means, the following:

(i) bonds or other obligations of or fully and unconditionally guaranteed by the United States of America as to timely payment of principal and interest on such bonds or other obligations, including obligations described in clause (iii) below to the extent fully and unconditionally guaranteed by the United States of America, and including interest strips of any such obligations or of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including obligations of Fannie Mae Corporation, Government National Mortgage Association, Farm Credit System Financial Corporation, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration, and United States Maritime Administration;

(iv) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that such obligations are rated in either of the two highest Rating Categories by Moody's or S&P; provided, that, in the event such obligations are in the form of variable rate demand bonds, the obligations shall have mandatory investor tender rights supported by a third-party liquidity facility from a financial institution with short-term ratings in the highest Rating Category by Moody's or S&P;

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) that are not callable prior to maturity or as to which

irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) that are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) that have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate, and (d) that are rated in one of the two highest long-term Rating Categories by Moody's or S&P;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation that are rated by Moody's or S&P in their highest short-term Rating Category, or, if the term of such indebtedness is longer than three (3) years, rated by Moody's or S&P in one of their two highest long-term Rating Categories, for comparable types of debt obligations;

(viii) demand or time deposits, trust funds, trust accounts, interest-bearing money market accounts, interest bearing deposits, overnight bank deposits, bankers' acceptances of depository institutions or certificates of deposit, whether negotiable or nonnegotiable, including those placed by a third party pursuant to an agreement between the Authority and the Trustee issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such bank, trust company, national banking association or branch and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, that shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking, or (3) rated in one of the two highest long-term Rating Categories by Moody's or S&P;

(ix) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Moody's or S&P;

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest short-term Rating Category, if any, and in either of the two highest long-term Rating Categories, if any, by Moody's or S&P, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Moody's or S&P;

(xi) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (v) of this definition of Permitted Investments and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv) and (v) of this definition of Permitted Investments, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (2) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (3) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(xii) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (vi) above and which companies have either the highest rating by Moody's or S&P or have an investment advisor registered with the Securities and Exchange Commission with not less than 5 years experience investing in such securities and obligations and with assets under management in excess of \$500,000,000;

(xiii) shares in a California common law trust, established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, that invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended from time to time; and

(xiv) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Trust Agreement.

Mandatory Sinking Account Payment means the amount required by this Trust Agreement to be paid by the Authority on a given date for the retirement of the 2010 Revenue Bond on or before its specified maturity date.

Measure A means the 2004 San Mateo County Transportation Ordinance and Expenditure Plan (the “Measure A”), approved by voters in San Mateo County on November 2, 2004.

Measure A Revenues means the funds the Authority receives from the City pursuant to Measure A and the Three Party Agreement for expenditures relating to the construction of the Project, which funds are initially allocated to the City by SMCTA from the proceeds of the 1/2 cent transaction and use tax imposed in San Mateo County pursuant to Measure A.

Moody’s means Moody’s Investors Service, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term “Moody’s” shall be deemed to refer to any other nationally recognized statistical rating organization selected by the Authority.

MTC means the Metropolitan Transportation Commission, a regional transportation commission duly established and existing pursuant to Sections 66500 et seq. of the California Government Code, and any successor thereto.

Opinion of Counsel means a written opinion of counsel (who may be counsel to the Authority).

Opinion of Bond Counsel means a written opinion of Bond Counsel.

Outstanding, when used as of any particular time with reference to the 2010 Revenue Bond, means (subject to the provisions of Section 11.09) the 2010 Revenue Bond theretofore, or thereupon being, authenticated and delivered by the Trustee under this Trust Agreement, except if: (i) the 2010 Revenue Bond has been theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) all liability of the Authority with respect to the 2010 Revenue Bond shall have been discharged in accordance with Section 10.02, including as referred to in Section 11.10; and (iii) the 2010 Revenue Bond for the transfer or exchange of or in lieu of or in substitution for which another 2010 Revenue Bond shall have been authenticated and delivered by the Trustee pursuant to this Trust Agreement.

Person means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Funds means (i) all RM2 Operating Revenues received by the Trustee or the Authority while the 2010 Revenue Bond is outstanding, (ii) all Measure A Revenues received by the Trustee or the Authority while the 2010 Revenue Bond is outstanding, and (iii) all amounts held by the Trustee in the Debt Service Fund, the Measure A Holding Fund, the Principal Account and the Interest Account established under this Trust Agreement relating to the 2010 Revenue Bond and any investment earnings with respect thereto. Pledged Funds do not include amounts held in the Project Fund, the Costs of Issuance Fund or the Surplus Fund.

Principal Account means an account by that name established in the Debt Service Fund pursuant to Section 5.04(a).

Principal Payment Date means each date on which a Mandatory Sinking Account Payment is due.

Project means the South San Francisco Ferry Terminal Project as more fully described in Attachment B to the Three Party Agreement.

Project Fund means the fund by that name established pursuant to Section 4.01.

Rating Category means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters, taking into account any numerical modifier, but without taking into account any plus or minus sign or other modifier.

Record Date means for any Interest Payment Date the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

Representation Letter means the Letter of Representations executed by the Authority in connection with the 2010 Revenue Bond and delivered to The Depository Trust Company, as Depository, or any replacement thereof or substitute therefor.

RM2 Operating Revenues means the funds the Authority receives from MTC, pursuant to Section 30914(d) of the Streets and Highways Code of the State of California and Resolution No. ___ of MTC, for operating expenses relating to the 2010 Revenue Bond, which funds generally are derived from revenues of a toll increase on seven San Francisco Bay Area bridges approved by voters in seven San Francisco Bay Area counties on March 2, 2004 and appropriated in part to MTC by the Bay Area Toll Authority.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "S&P" shall be deemed to refer to any other nationally recognized statistical rating organization selected by the Authority.

SMCTA means the San Mateo County Transportation Authority.

State means the State of California.

Supplemental Trust Agreement means any Trust Agreement hereafter duly executed and delivered, supplementing, modifying or amending this Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

Three Party Agreement means that certain Three Party Agreement Regarding Distribution and Use of San Mateo County Measure A Revenues for Ferry Service Between South San Francisco and Oakland, dated July 15, 2009, by and among the Authority, the City and SMCTA.

Trust Agreement means this Trust Agreement, dated as of July 1, 2010, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Trust Agreement delivered pursuant to the provisions hereof.

Trustee means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee as provided in Section 8.01.

2010 Revenue Bond means the “San Francisco Bay Area Water Emergency Transportation Authority Revenue Bond, Series 2010” authorized by, and at any time Outstanding pursuant to, this Trust Agreement.

Section 1.03. Content of Certificates. Every certificate provided for in this Trust Agreement (except for Certificates and Receipts of the Trustee delivered as provided in Article III hereof and the certificate provided in Section 11.05) with respect to compliance with any provision hereof shall include: (1) a statement that the person giving such certificate has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by an Authorized Representative of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant, a financial advisor, an investment banker or an independent consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, a financial advisor, an investment banker or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an Authorized Representative of the Authority, unless such counsel, accountant, financial advisor, investment banker or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same Authorized Representative of the Authority, or the same counsel or accountant or financial advisor or investment banker or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel, accountants, financial advisors, investment bankers or independent consultants may certify to different matters, respectively.

ARTICLE II

THE 2010 REVENUE BOND

Section 2.01. Authorization of the 2010 Revenue Bond. Pursuant to the provisions of this Trust Agreement and the provisions of the Act, the 2010 Revenue Bond shall be issued in the aggregate principal amount of \$[_____] and entitled to the benefit, protection and security of such provisions. The 2010 Revenue Bond shall be designated as the “San Francisco Bay Area Water Emergency Transportation Authority Revenue Bond, Series 2010.”

Section 2.02. Issuance and Terms of the 2010 Revenue Bond. The 2010 Revenue Bond shall be issued in a single fully registered form, in a denomination equal to the principal amount thereof. The 2010 Revenue Bond shall be dated its date of issuance, shall mature and become payable on June 1, 2013 and shall bear interest at a rate equal to ___% per annum, calculated on the basis of a 360-day year consisting of twelve (12) 30-day months.

Interest on the 2010 Revenue Bond shall be payable on each Interest Payment Date until the principal sum of the 2010 Revenue Bond has been paid; provided, however, that if on June 1, 2013 funds are available for the payment or redemption thereof, in full accordance with terms of the Trust Agreement, the 2010 Revenue Bond shall then cease to bear interest.

The 2010 Revenue Bond shall bear interest from the latest of: (i) its date of issuance; (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of the 2010 Revenue Bond is after a Record Date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication. Interest shall accrue on the 2010 Revenue Bond from one Interest Payment Date to, but not including, the next Interest Payment Date.

The 2010 Revenue Bond shall be payable as provided in Section 2.10, including Section 2.10(E), or, in the event the use of the Depository is discontinued, the principal The 2010 Revenue Bond shall be payable in lawful money of the United States of America upon surrender thereof at the Corporate Trust Office of the Trustee, and the interest on The 2010 Revenue Bond shall be payable in lawful money of the United States of America by the Trustee to the Holder thereof as of the close of business on the Record Date, such interest to be paid by the Trustee to such Holder in immediately available funds (by wire transfer or by deposit to the account of the Holder if such account is maintained with the Trustee), according to the instructions given by such Holder to the Trustee or, in the event no such instructions have been given, by check mailed on the Interest Payment Date by first class mail to the Holder at such Holder’s address as it appears as of the Record Date on the bond registration books kept by the Trustee. No interest shall be payable on the 2010 Revenue Bond for any period after maturity during which the Owner thereof fails to properly present the 2010 Revenue Bond for payment.

The 2010 Revenue Bond shall be initially registered in the name of “Cede & Co.,” as nominee of the Depository and shall be evidenced by one bond certificate in the principal amount of the 2010 Revenue Bond. Registered ownership of the 2010 Revenue Bond may not

thereafter be transferred except as set forth in Sections [] and 2.10 hereof, or in the event the use of the Depository is discontinued, in accordance with the provisions set forth in Sections [] and 2.05 hereof.

Section 2.03. Form of the 2010 Revenue Bond. The 2010 Revenue Bond and the certificate of authentication to appear thereon shall be in substantially such form as is set forth in Exhibit A hereto.

Section 2.04. Execution of the 2010 Revenue Bond. The 2010 Revenue Bond shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of the Executive Director of the Authority and shall be countersigned by the manual or facsimile signature of the Attorney of the Authority. The 2010 Revenue Bond shall then be delivered to the Trustee for authentication. In case any of the officers who shall have signed or countersigned the 2010 Revenue Bond shall cease to be such officer or officers of the Authority before the 2010 Revenue Bond so signed or countersigned shall have been authenticated or delivered by the Trustee or issued by the Authority, the 2010 Revenue Bond may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and countersigned the same had continued to be such officers of the Authority, and also the 2010 Revenue Bond may be signed and countersigned on behalf of the Authority by such persons as at the actual date of execution of the 2010 Revenue Bond shall be the proper officers of the Authority although at the nominal date of the 2010 Revenue Bond any such person shall not have been such officer of the Authority.

Only the 2010 Revenue Bond as shall bear thereon a certificate of authentication substantially in such form as is set forth in Exhibit A hereto manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Trust Agreement, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the 2010 Revenue Bond so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Trust Agreement.

Section 2.05. Transfer of the 2010 Revenue Bond. Subject to the restrictions set forth in Section 2.11 hereof, the 2010 Revenue Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 2.07, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the 2010 Revenue Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever the 2010 Revenue Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new 2010 Revenue Bond, of the tenor and maturity and for a like principal amount; provided that the Trustee shall not be required to issue or register the transfer of the 2010 Revenue Bond during the fifteen (15) days prior to the maturity date of the 2010 Revenue Bond. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Section 2.06. Terms of Redemption. The 2010 Revenue Bond is subject to redemption prior to its stated maturity in part from Mandatory Sinking Account Payments established in Section 5.09, on each June 1 on and after June 1, 2011, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium. Other than as is provided herein and in Section 5.09, the 2010 Revenue Bond shall not be subject to redemption prior to its maturity date.

Section 2.07. Bond Register. The Trustee will keep or cause to be kept, at its Corporate Trust Office, sufficient books for the registration and transfer of the 2010 Revenue Bond, which shall at all times be open to inspection during normal business hours by the Authority; and, upon presentation of the 2010 Revenue Bond for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, the 2010 Revenue Bond as hereinbefore provided.

Section 2.08. Temporary 2010 Revenue Bond. The 2010 Revenue Bond may be issued in temporary form exchangeable for a definitive 2010 Revenue Bond when ready for delivery. Any temporary 2010 Revenue Bond may be printed, lithographed or typewritten, shall be of such denomination prescribed in Section 2.02 hereof, shall be in registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. The temporary 2010 Revenue Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive 2010 Revenue Bond. If the Authority issues a temporary 2010 Revenue Bond it will execute and deliver the definitive 2010 Revenue Bond as promptly thereafter as practicable, and thereupon the temporary 2010 Revenue Bond may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary 2010 Revenue Bond a definitive 2010 Revenue Bond of equal principal amount and of the same tenor and maturity. Until so exchanged, the temporary 2010 Revenue Bond shall be entitled to the same benefits under this Trust Agreement as the definitive 2010 Revenue Bond authenticated and delivered hereunder.

Section 2.09. 2010 Revenue Bond Mutilated, Lost, Destroyed or Stolen. If the 2010 Revenue Bond shall become mutilated, the Authority, at the expense of the Owner of the 2010 Revenue Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2010 Revenue Bond of like tenor and maturity in exchange and substitution for the 2010 Revenue Bond so mutilated, but only upon surrender to the Trustee of the 2010 Revenue Bond so mutilated. The mutilated the 2010 Revenue Bond so surrendered to the Trustee shall be cancelled by the Trustee and delivered to, or upon the Order of, the Authority. If the 2010 Revenue Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2010 Revenue Bond of like tenor and maturity in lieu of and in substitution for the 2010 Revenue Bond so lost, destroyed or stolen (or if the 2010 Revenue Bond shall have matured, instead of issuing a substitute 2010 Revenue Bond, the Trustee may pay the same without surrender thereof upon receipt of the above-referenced indemnity). The Authority may require payment of a sum not exceeding the actual cost of preparing the 2010 Revenue Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any 2010

Revenue Bond issued under the provisions of this Section in lieu of the 2010 Revenue Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the 2010 Revenue Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the original 2010 Revenue Bond and the replacement 2010 Revenue Bond as being Outstanding, but both the original and replacement 2010 Revenue Bond shall be treated as one and the same.

Section 2.10. Use of Depository. Notwithstanding any provision of this Trust Agreement to the contrary, but subject to the restrictions set forth in Section 2.11 hereof:

(A) The 2010 Revenue Bond shall be initially delivered and registered as provided in Section 2.02. Registered ownership of the 2010 Revenue Bond may not thereafter be transferred except:

(i) to any successor of the Depository or its nominee, or to any substitute depository designated pursuant to clause (ii) of this subsection (A) (a “substitute depository”); provided that any successor of the Depository or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated by the Authority and not objected to by the Trustee, upon: (1) the resignation of the Depository or its successor (or any substitute depository or its successor) from its functions as depository; or (2) a determination by the Authority that the Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon: (1) the resignation of the Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository which is not objected to by the Trustee can be obtained; or (2) a determination by the Authority that it is in the best interests of the Authority to remove the Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (A) hereof, upon receipt of the Outstanding 2010 Revenue Bond by the Trustee, together with a Statement of the Authority to the Trustee, a single new 2010 Revenue Bond shall be authorized and prepared by the Authority, and authenticated and delivered by the Trustee in the principal amount of the 2010 Revenue Bond then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Statement of the Authority. In the case of any transfer pursuant to clause (iii) of subsection (A) hereof, upon receipt of the Outstanding 2010 Revenue Bond by the Trustee, the new 2010 Revenue Bond shall be authorized and prepared by the Authority and authenticated and delivered by the Trustee in such authorized denominations and registered in the names of such persons as

are set forth in such a Statement of the Authority, numbered in such manner as the Trustee shall determine, subject to the limitations of Section 2.02 hereof.

(C) In the case of an advance refunding of the 2010 Revenue Bond, the Depository shall make an appropriate notation on the 2010 Revenue Bond in form acceptable to the Trustee.

(D) The Authority and the Trustee shall be entitled to treat the person in whose name the 2010 Revenue Bond is registered as the Holder thereof for all purposes of the Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owner of the 2010 Revenue Bond. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owner or to any other party including the Depository or its successor (or substitute depository or its successor), except for the Holder of the 2010 Revenue Bond.

(E) So long as the Outstanding 2010 Revenue Bond is registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Holder, and its registered assigns in effecting payment of the principal of and interest on the 2010 Revenue Bond by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Section 2.11. Restrictions on Transfers of the 2010 Revenue Bond. Notwithstanding any provision of this Trust Agreement to the contrary, after the initial sale of the 2010 Revenue Bond to MTC, the 2010 Revenue Bond may only be either transferred to the Bay Area Toll Authority or privately placed with a transferee meeting the definition of Qualified Institutional Buyer as described in Rule 144A of the Securities Act of 1933, as amended; provided that any such private placement shall be conditioned on receipt by the Authority, the Trustee and the Owner of a written statement executed by such transferee in the form of Exhibit E hereto which shall contain a certification that the transferee is a Qualified Institutional Buyer. The 2010 Revenue Bond may not be reoffered to the public.

ARTICLE III

RESERVED

ARTICLE IV

ESTABLISHMENT AND APPLICATION OF PROJECT FUND AND COSTS OF ISSUANCE FUND

Section 4.01. Establishment and Application of the Project Fund; Investment Earnings; Expenditure Notification by Trustee. (A) The Trustee is hereby instructed to establish, maintain and hold in trust a fund designated as the "Project Fund." Upon receipt by the Trustee

of the proceeds of the sale of the 2010 Revenue Bond, the Trustee shall deposit in the Project Fund \$[10,000,000] of such proceeds. The money in the Project Fund shall be used and withdrawn by the Authority to pay the applicable costs of the Project pursuant to Requisitions of the Authority as provided in subsection (C) below.

(B) All interest, profits and other income received from the investment of moneys in the Project Fund shall remain in the Project Fund.

(C) Before any payment from the Project Fund shall be made by the Trustee, the Authority shall prepare and submit to the Trustee a Requisition of the Authority, such Requisition to be in substantially such form as is set forth in Exhibit B hereto, stating: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Authority and are presently due and payable; (vi) that each item thereof is a proper charge against the Measure A Revenues approved and allocated for the Project pursuant to the Three Party Agreement and has not been previously paid from the Project Fund; and (vii) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

(D) When the Authority determines that all payments with respect to the Project have been made, the Authority shall notify the Trustee in writing and shall instruct the Trustee to close the Project Fund as soon as practicable and the Trustee shall transfer any amount remaining in such Project Fund to the Interest Account. Any amount on deposit in the Project Fund three (3) Business Days prior to the maturity date of the 2010 Revenue Bond shall be transferred or credited, as applicable, by the Trustee to the Interest Account.

(E) In the event that the Authority shall have failed to provide to the Trustee the notification described in subsection (D) above no later than one (1) month from the maturity date of the 2010 Revenue Bond, the Trustee shall notify the Authority in writing of such failure, such written notice to specify the amount then remaining on deposit in the Project Fund, and shall request that the Authority submit a Requisition with respect to such amount. Upon receipt of such notification from the Trustee, the Authority shall submit a Requisition with respect to such amount or the Trustee shall, three (3) Business Days prior to the maturity date of the 2010 Revenue Bond, transfer any amounts remaining in the Project Fund to the Interest Account.

Section 4.02. Establishment and Application of the Costs of Issuance Fund; Investment Earnings. (A) The Trustee is hereby instructed to establish, maintain and hold in trust a fund designated as the "Costs of Issuance Fund." Upon receipt by the Trustee of the proceeds of the sale of a Series of 2010 Revenue Bond, the Trustee shall deposit in the Costs of Issuance Fund \$[_____] of such proceeds. Amounts in the Costs of Issuance Fund shall be disbursed by the Trustee to pay for Costs of Issuance incurred in connection with issuance of the 2010 Revenue Bond upon Requisition of the Authority, such Requisition to be in

substantially such form as is set forth in Exhibit C hereto. The Requisitions for the Costs of Issuance Fund shall be numbered sequentially and shall state the name and address of each payee, the amount for each payment and the purpose for each payment and shall further state that such costs have not previously been paid. Any amounts remaining in the Costs of Issuance Fund one hundred eighty (180) days after the date of issuance of the 2010 Revenue Bond shall be transferred or credited, as applicable, by the Trustee to the Project Fund.

(B) All interest, profits and other income received from the investment of moneys in the Costs of Issuance Fund shall remain in the Costs of Issuance Fund until transferred or credited to the Project Fund pursuant to subsection (A) above.

ARTICLE V

PLEGGED FUNDS; ESTABLISHMENT AND APPLICATION OF THE DEBT SERVICE FUND, THE MEASURE A HOLDING FUND AND THE SURPLUS FUND AND CERTAIN ACCOUNTS

Section 5.01. RM2 Operating Revenues. (A) Principal of and interest on the 2010 Revenue Bond shall be secured by a pledge of RM2 Operating Revenues. As long as the 2010 Revenue Bond remains Outstanding, the Authority hereby covenants and agrees to cause MTC to transfer all RM2 Operating Revenues to the Trustee, such transfer to be made to the Trustee by MTC on a monthly basis on or before the [first (1st)] day of each month, from and including September 2010 to and including May 2013. All RM2 Operating Revenues shall be disbursed, allocated and applied solely for the uses and purposes set forth in Section 5.05, Section 5.06 and Section 5.07 and otherwise in accordance with the provisions of this Trust Agreement. Upon the deposit of RM2 Operating Revenues in accordance with the provisions of this Trust Agreement, such RM2 Operating Revenues shall secure the 2010 Revenue Bond and shall not secure any other bond.

Section 5.02. Measure A Revenues. Principal of and interest on the 2010 Revenue Bond shall also be secured by a pledge of all rights of the Authority in and to the Measure A Revenues. As long as the 2010 Revenue Bond is Outstanding, the Authority hereby covenants and agrees to deposit or to cause to be deposited all Measure A Revenues with the Trustee, such deposit to be made directly by the City or, if any Measure A Revenues are received by the Authority, such deposit to be made by the Authority as soon as practicable after the Authority's receipt of such Measure A Revenues (and in no event later than two (2) Business Days after the Authority's receipt of such Measure A Revenues).

Section 5.03. Pledged Funds. As security for the payment of principal and interest on the 2010 Revenue Bond in accordance with its terms, the Authority hereby pledges: (i) the RM2 Operating Revenues; (ii) the Measure A Revenues; (iii) all amounts held by the Trustee in the Debt Service Fund, the Measure A Holding Fund, the Principal Account and the Interest Account established hereunder; (iv) any investment earnings with respect to the Debt Service Fund, the Measure A Holding Fund, the Principal Account and the Interest Account; and (v) any investment earnings with respect to the Project Fund and Costs of Issuance Fund established hereunder (such RM2 Operating Revenues, Measure A Revenues, amounts and investment earnings being hereinafter collectively referred to as the "Pledged Funds"), subject

only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein. Said pledge shall constitute a first lien on the Pledged Funds, shall be valid and binding from and after delivery by the Trustee of the 2010 Revenue Bond to be issued hereunder, without any physical delivery thereof or further act, and shall be irrevocable until the 2010 Revenue Bond shall no longer be Outstanding hereunder.

Section 5.04. Debt Service Fund; Measure A Holding Fund; Surplus Fund.

(A) There is hereby established a special fund designated as the “Debt Service Fund,” which the Trustee shall maintain and hold in trust. The Trustee shall establish within the Debt Service Fund: (i) a separate Principal Account, designated as the “Principal Account;” and (ii) a separate Interest Account, designated as the “Interest Account.” All moneys at any time held in any account established in the Debt Service Fund shall be held in trust for the benefit of the Owner of the Series of 2010 Revenue Bond and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Trust Agreement.

(B) There is hereby established a special fund designated as the “Measure A Holding Fund,” which the Trustee shall maintain and hold in trust. All moneys at any time held in the Measure A Holding Fund shall be held in trust for the benefit of the Owner of the Series of 2010 Revenue Bond and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Trust Agreement.

(C) There is hereby established a special fund designated as the “Surplus Fund,” which the Trustee shall maintain and hold in trust. All moneys at any time held in the Surplus Fund shall be held in trust for the benefit of the Authority and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Trust Agreement. No moneys at any time held in the Surplus Fund are pledged to pay principal of and interest on the 2010 Revenue Bond, and such moneys shall not constitute “Pledged Funds” under this Trust Agreement.

Section 5.05. Deposits to Accounts. (A) Upon receipt by the Trustee, the Trustee shall immediately deposit RM2 Operating Revenues in the Principal Account and the Interest Account on the dates and in the respective amounts set forth in Schedule I.

(B) Upon receipt by the Trustee, the Trustee shall immediately deposit Measure A Revenues in the Measure A Holding Fund.

(C) Upon receipt by the Trustee, the Trustee shall immediately deposit, or, as applicable, credit investment income received from investments of moneys held in the Measure A Holding Fund to the Interest Account pursuant to Section 5.11.

(D) Upon receipt by the Trustee, the Trustee shall immediately deposit, or, as applicable, credit investment income received from investments of moneys held in the Surplus Fund to the Surplus Fund.

(E) Upon receipt by the Trustee, the Trustee shall immediately deposit, or, as applicable, credit investment income received from investments of moneys held in the Interest Account to the Interest Account.

(F) Upon receipt by the Trustee, the Trustee shall immediately deposit, or, as applicable, credit investment income received from investments of moneys held in the Principal Account to the Interest Account pursuant to Section 5.11.

Section 5.06. Interest Account; Transfers from Measure A Holding Fund.

(A) So long as the 2010 Revenue Bond is Outstanding, if on the third Business Day prior to any Interest Payment Date, the amount on deposit in the Interest Account is insufficient to pay the interest on the 2010 Revenue Bond coming due on such Interest Payment Date, the Trustee shall immediately notify the Authority, in writing, of such deficiency and transfer the amount of such deficiency from the Measure A Holding Fund, to the extent moneys are available therein, to the Interest Account.

(B) If on the third Business Day prior to any Principal Payment Date, after all transfers from the Measure A Holding Fund pursuant to Section 5.06(a) have been completed, the amount on deposit in the Interest Account is insufficient to pay the interest of the 2010 Revenue Bond coming due on such Interest Payment Date, the Trustee shall immediately notify the Authority, in writing, of such deficiency and transfer the amount of such deficiency from the Principal Account, to the extent that moneys are available therein in excess of the amount coming due on the following Principal Payment Date, to the Interest Account.

Section 5.07. Principal Account; Transfers from Measure A Holding Fund and Interest Account.

(A) So long as the 2010 Revenue Bond is Outstanding, if on the second Business Day prior to any Principal Payment Date the amount on deposit in the Principal Account is insufficient to pay the principal on the 2010 Revenue Bond coming due on such Principal Payment Date, the Trustee shall immediately notify the Authority, in writing, of such deficiency and transfer the amount of such deficiency from the Measure A Holding Fund, to the extent moneys are available therein, to the Principal Account.

(B) If on the second Business Day prior to any Principal Payment Date, after all transfers from the Measure A Holding Fund pursuant to Section 5.07(a) have been completed, the amount on deposit in the Principal Account is insufficient to pay the principal of the 2010 Revenue Bond coming due on such Principal Payment Date, the Trustee shall immediately notify the Authority, in writing, of such deficiency and transfer the amount of such deficiency from the Interest Account, to the extent that moneys are available therein in excess of the amount coming due on the following Interest Payment Date, to the Principal Account.

Section 5.08. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2010 Revenue Bond as follows (including accrued interest on the 2010 Revenue Bond should it be defeased pursuant to the provisions of this Trust Agreement), subject to the transfer of excess funds as provided in Section 5.07 and Section 5.10:

<u>Interest Payment Date</u>	<u>Interest Payment</u>
December 1, 2010	\$ _____.
June 1, 2011	\$ _____.
December 1, 2011	\$ _____.
June 1, 2012	\$ _____.
December 1, 2012	\$ _____.
June 1, 2013	\$ _____.

Section 5.09. Application of Principal Account. (A) All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying principal and Mandatory Sinking Account Payments on the 2010 Revenue Bond as provided in subsection (B) below, subject to the transfer of excess funds as provided in Section 5.06 and Section 5.10.

(B) Subject to the terms and conditions hereinbefore set forth in this Section and in Section 2.06, the 2010 Revenue Bond shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments for such Bond, in the amounts and upon June 1 in the years hereinafter set forth:

Mandatory Sinking Account
Payments for 2010 Revenue Bond Due
June 1, 2013

<u>Payment Date</u> (June 1)	<u>Amount</u>
2011	\$ _____
2012	
2013*	

*Maturity

Section 5.10. Transfers of Excess Measure A Revenues to Surplus Fund; Requisition of Monies Held in Surplus Fund. (A) On the Business Day after any Interest Payment Date, or on any other Business Day upon receipt by the Trustee of a Request of the Authority pursuant to this Section 5.10, if the aggregate amount of moneys held by the Trustee in the Principal Account, the Interest Account and the Measure A Holding Fund exceed the amounts necessary to pay both principal of and interest on the 2010 Revenue Bond coming due on all remaining Principal Payment Dates and Interest Payment Dates, without taking into account any future anticipated investment earnings on funds held by the Trustee (such excess

amount being the “Excess Measure A Revenues”), the Trustee shall transfer moneys in an amount equal to the Excess Measure A Revenues from the Measure A Holding Fund to the Surplus Fund. All funds so transferred to the Surplus Fund will be released from the pledge and lien established under this Trust Agreement.

(B) The Authority may at any time submit to the Trustee a Requisition of the Authority, such Requisition to be in substantially such form as is set forth in Exhibit D hereto, requesting that the Trustee release all or a portion of the amounts held in the Surplus Fund. Upon receipt of such Requisition, the Trustee shall transfer funds in the amount requested to the account specified by the Authority in the Requisition.

Section 5.11. Investment of Moneys in Funds and Accounts; Investment Earnings. All moneys in any of the funds and accounts established pursuant to this Trust Agreement and held by the Trustee shall be invested as directed in writing by the Authority, solely in Investment Securities. All Investment Securities shall be acquired subject to the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. If and to the extent the Trustee does not receive investment instructions from the Authority with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Trust Agreement, such moneys shall be invested in Investment Securities described in clause [(i)] of the definition thereof and, if necessary, the Trustee shall thereupon immediately request written investment instructions from the Authority for such moneys. Moneys in the funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the earlier of June 1, 2013 or the date on which it is otherwise estimated that such moneys will be required by the Trustee.

All interest, profits and other income received from the investment of moneys in any fund or account, other than any Escrow Fund and the Surplus Fund, shall be transferred or credited, as applicable, to the Interest Account. All interest, profits and other income received from the investment of moneys in an Escrow Fund or the Surplus Fund shall be deposited in such Escrow Fund or the Surplus Fund, respectively. Notwithstanding anything to the contrary contained in this Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

Subject to Section 8.02 hereof, the Trustee may commingle any of the funds or accounts established pursuant to this Trust Agreement (excluding the Surplus Fund and any Escrow Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Trust Agreement. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Authority, may impose its customary charge therefor. The Trustee may sell upon consultation with the Authority, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment or redemption.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law.

Section 5.12. Transfer of Funds Upon Payment of the 2010 Revenue Bond. Upon payment of the 2010 Revenue Bond at maturity or discharge of the 2010 Revenue Bond and this Trust Agreement pursuant to Article X, such that the 2010 Revenue Bond is no longer Outstanding pursuant to the terms of this Trust Agreement, any amounts on deposit in the funds and accounts established under this Trust Agreement not required to pay principal of or interest on the 2010 Revenue Bond shall be immediately transferred to the Authority for its use for any lawful purpose.

ARTICLE VI

COVENANTS OF THE AUTHORITY

Section 6.01. Punctual Payment. The Authority will punctually pay or cause to be paid the principal and interest to become due in respect of the 2010 Revenue Bond, in strict conformity with the terms of the 2010 Revenue Bond and of this Trust Agreement, according to the true intent and meaning thereof.

Section 6.02. Collection of RM2 Operating Revenues; Measure A Reimbursement; Deposit of RM2 Operating Revenues and Measure A Revenues with Trustee. (A) The Authority will take no action with respect to any RM2 Operating Revenues as long as the 2010 Revenue Bond is Outstanding which would reduce the amount of, or timing of receipt of, the RM2 Operating Revenues. The Authority will take all actions necessary to be taken by the Authority to receive payment of the full amount of all RM2 Operating Revenues on the dates set forth on Schedule I hereto. The Authority will take all actions necessary to resolve any disputes concerning payment of RM2 Operating Revenues resulting from audits or otherwise as promptly as possible and will cause all RM2 Operating Revenues to be transferred to the Trustee in accordance with the provisions set forth in Section 5.01.

(B) The Authority will satisfy all requirements necessary to receive Measure A Revenues for such expenses. The Authority will take no action with respect to any Measure A Revenues as long as the 2010 Revenue Bond is Outstanding which would reduce the amount of, or timing of receipt of, Measure A Revenues. The Authority will take all actions necessary to be taken by the Authority to receive payment of the full amount of all Measure A Revenues on the earliest date possible, will, to the extent practicable, submit all requests for payment of Measure A Revenues within thirty (30) days of payment by the Authority of an invoice eligible for reimbursement from Measure A Revenues, will take all actions necessary to resolve any disputes concerning payment of Measure A Revenues resulting from audits or otherwise as promptly as possible and will cause all Measure A Revenues to be transferred to the Trustee in accordance with the provisions set forth in Section 5.02.

Section 6.03. No Additional Issuance of Obligations Payable from and Secured by Pledged Funds. The Authority will not, so long as the 2010 Revenue Bond is Outstanding,

issue any obligations or securities, howsoever denominated, secured by a pledge of, and payable in whole or in part from, Pledged Funds.

Section 6.04. Diligent Completion of Project. The Authority expects the proceeds of the 2010 Revenue Bond, together with other funding sources available to the Authority, to be sufficient to finance the completion of the Project. The Authority will proceed with due diligence to complete the Project, including, if necessary, seeking alternative or additional funding for the Project.

Section 6.05. Waiver of Laws. The Authority will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Trust Agreement or in the 2010 Revenue Bond, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.06. Accounting Records and Financial Statements. The Authority will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the RM2 Operating Revenues and the Measure A Revenues. The Authority shall furnish the Trustee and the Holder within thirty (30) days of the receipt by the Borrower of its audited financial statements and, in any event, within [two hundred forty (240)] days after the end of each fiscal year, with copies of its complete financial statements (including a statement of financial position as of the end of such fiscal year, and related statements of activities and cash flow for such fiscal year and such other financial reports and schedules as may have been delivered to the Authority in connection with such financial statements), together with (1) the audit report thereon an independent certified public accountant, and (2) a Certificate of the Authority stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year and as of the date of such Certificate, or specifying the nature of such event and the actions taken and proposed to be taken by the Authority to cure such default.

Section 6.07. Further Assurances. The Authority will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and for the better assuring and confirming unto the Owner of the 2010 Revenue Bond of the rights and benefits provided in this Trust Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 7.01. Events of Default. The following events shall be Events of Default:

(i) default in the due and punctual payment of the principal of the 2010 Revenue Bond when and as the same shall become due and payable, whether at maturity as therein expressed or otherwise;

(ii) default in the due and punctual payment of any interest on the 2010 Revenue Bond when and as such interest shall become due and payable;

(iii) if the Authority shall fail to observe or perform any covenant, condition, agreement or provision in this Trust Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee; except that, if such failure can be remedied but not within such sixty (60) day period and if the Authority has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Trustee;

(iv) if the Authority files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(v) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the Authority insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(vi) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Section 7.02. No Acceleration of Maturities. If an Event of Default shall occur, the Trustee shall not have the right to declare the principal of, and the interest on, the 2010 Revenue Bond then Outstanding to be due and payable immediately. The acceleration of principal payments of the 2010 Revenue Bond is not a remedy granted to the Trustee or to the Owner of the 2010 Revenue Bond.

Section 7.03. Application of Funds After Default. If an Event of Default shall occur and be continuing (other than an Event of Default under Section 7.01(c)), the Trustee shall retain all RM2 Operating Revenues and Measure A Revenues transferred to the Trustee pursuant to Section 5.01 and Section 5.02, the Authority shall transfer any RM2 Operating Revenues and Measure A Revenues held by the Authority to the Trustee, and the Trustee shall apply all Pledged Funds, as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owner of the 2010 Revenue Bond, including the costs and expenses of the Trustee and the Owner of the 2010 Revenue Bond, in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Trust Agreement;

(2) To the payment of the whole amount of principal and interest then due on the 2010 Revenue Bond (upon presentation of the 2010 Revenue Bond, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Trust Agreement (including Section 9.02), with interest on the overdue principal at the rate borne by the 2010 Revenue Bond, and, if the amount available shall not be sufficient to pay in full the 2010 Revenue Bond, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest due on such date to the person entitled thereto.

In no event shall any amounts on deposit in any Escrow Fund or any amounts held on deposit by the Trustee pursuant to Section 11.04 be available for application pursuant to this Section 7.03.

Section 7.04. Trustee to Represent Bondholder. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2010 Revenue Bond, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owner of the 2010 Revenue Bond for the purpose of exercising and prosecuting on its behalf such rights and remedies as may be available to the Owner under the provisions of the 2010 Revenue Bond, this Trust Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owner of the 2010 Revenue Bond, the Trustee in its discretion may, and upon the written request of the Owner of the 2010 Revenue Bond, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owner by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owner under this Trust Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Pledged Funds pending such proceedings. All rights of action under this Trust Agreement or the 2010 Revenue Bond or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2010 Revenue Bond or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owner of the 2010 Revenue Bond, subject to the provisions of this Trust Agreement (including Section 7.06).

Section 7.05. Bondholder's Direction of Proceedings. Anything in this Trust Agreement to the contrary notwithstanding, the Owner of the Outstanding 2010 Revenue Bond shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it,

to direct the method of conducting all remedial proceedings taken by the Trustee hereunder with respect to the 2010 Revenue Bond, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Trust Agreement and that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 7.06. Limitation on Bondholders' Right to Sue. The Owner of the 2010 Revenue Bond shall not have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Trust Agreement, the Act or any other applicable law with respect to the 2010 Revenue Bond, unless: (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (3) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise, by the Owner of the 2010 Revenue Bond of any remedy hereunder or under law; it being understood and intended that the Owner of the 2010 Revenue Bond shall not have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any right under this Trust Agreement, the Act or other applicable law with respect to the 2010 Revenue Bond, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided.

Section 7.07. Absolute Obligation of Authority. Nothing in Section 7.06 or in any other provision of this Trust Agreement, or in the 2010 Revenue Bond, contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and accrued and unpaid interest on the 2010 Revenue Bond to the Owner of the 2010 Revenue Bond at their respective dates of maturity as herein provided, but only out of the Pledged Funds, or affect or impair the right of such Owner, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2010 Revenue Bond.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or the Bondholder on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholder, then in every such case the Authority, the Trustee and the Bondholder, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bondholder shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owner of the 2010 Revenue Bond is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law,

shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of the Owner of the 2010 Revenue Bond to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Trust Agreement to the Trustee or to the Owner of the 2010 Revenue Bond may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Appointment; Duties, Immunities and Liabilities of Trustee. (A) U.S. Bank National Association is hereby appointed as Trustee under this Trust Agreement and hereby accepts the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Trust Agreement. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied covenants shall be read into this Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(B) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owner of the 2010 Revenue Bond (or the Owner's attorney duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Authority and by giving the Bondholder notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee

or the Bondholder may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall give notice of the succession of such Trustee to the trusts hereunder by mail to the Bondholder at the address shown on the registration books maintained by the Trustee. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company having (or, if such trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Accounting Records and Monthly Statements. The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the 2010 Revenue Bond, including proceeds of the 2010 Revenue Bond and moneys derived from, pledged to, or to be used to make payments on the 2010 Revenue Bond. Such records shall specify the account or fund to which each deposit and each investment (or portion thereof) held by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto,

and (e) the dates of acquisition and disposition or maturity. The Trustee shall furnish the Authority and the Authority's financial advisor with a monthly statement which shall include a summary of all deposits and all investment transactions related to the 2010 Revenue Bond, such statement to be provided to the Authority no later than the 15th day of the month following the month to which such statement relates, the first such monthly statement to be provided by the 15th day of the month immediately following the month in which the 2010 Revenue Bond is delivered by the Trustee pursuant to the provisions of this Trust Agreement.

Section 8.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.04. Liability of Trustee. (A) The recitals of facts herein and in the 2010 Revenue Bond contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on the 2010 Revenue Bond), and makes no representations as to the validity or sufficiency of this Trust Agreement or of the 2010 Revenue Bond, as to the sufficiency of the Pledged Funds or the priority of the lien of this Trust Agreement thereon, or as to the financial or technical feasibility of any Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the 2010 Revenue Bond assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2010 Revenue Bond. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence, willful misconduct or breach of the express terms and conditions hereof. The Trustee may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority and make disbursements for the Authority and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owner of the 2010 Revenue Bond relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any of the

Bondholder pursuant to the provisions of this Trust Agreement, including, without limitation, the provisions of Article VII hereof, unless such Bondholder shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

(F) The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default described in subsections (a) or (b) of Section 7.01) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Authority or the Owner. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Authority of the terms, conditions, covenants or agreements set forth in the Article VI hereof, other than the covenants of the Authority to make payments with respect to the 2010 Revenue Bond when due as set forth in Section 6.01 and Schedule I hereto and to file with the Trustee when due, such reports and certifications as the Authority is required to file with the Trustee hereunder.

(G) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

(1) the application or handling by the Authority of any moneys transferred to or pursuant to any Requisition or Request of the Authority in accordance with the terms and conditions hereof; and

(2) the acquisition, construction, operation or maintenance of any Project by the Authority.

(J) Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(K) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2010 Revenue Bond.

(L) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Section 8.05. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Authority or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

Section 8.06. Compensation and Indemnification of Trustee. The Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Authority shall, to the extent permitted by law, indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive the discharge of the 2010 Revenue Bond and this Trust Agreement.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS TRUST AGREEMENT

Section 9.01. Amendments Permitted. (A) (1) This Trust Agreement and the rights and obligations of the Authority, the Owner of the 2010 Revenue Bond and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into when the written consent of the Owner of the 2010 Revenue Bond shall have been filed with the Trustee.

(2) No such modification or amendment shall (a) extend the fixed maturity of the 2010 Revenue Bond or reduce the amount of principal thereof, or extend the time of payment or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of the 2010 Revenue Bond, without the consent of the Owner of the 2010 Revenue Bond. It shall not be necessary for the consent of the Owner to approve the particular form of any Supplemental Trust Agreement, but such consent shall be sufficient if such Owner shall have approved the substance thereof. Promptly after the execution and delivery by the Trustee and the Authority of any Supplemental Trust Agreement pursuant to this subsection (A), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement to the Owner of the 2010 Revenue Bond at the address shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

(B) This Trust Agreement and the rights and obligations of the Authority, of the Trustee and of the Owner of the 2010 Revenue Bond may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority may adopt without the consent of the Bondholder but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in this Trust Agreement contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2010 Revenue Bond, or to surrender any right or power herein reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Trust Agreement, or in regard to matters or questions arising under this Trust Agreement, as the Authority may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owner of the 2010 Revenue Bond;

(3) to modify, amend or supplement this Trust Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owner of the 2010 Revenue Bond;

(4) to increase the maximum principal amount of 2010 Revenue Bond which may be Outstanding hereunder at any one time;

(5) to increase the maximum rate of interest permitted;

(6) to provide for the issuance of 2010 Revenue Bond in book-entry form or bearer form, provided that no such provision shall materially and adversely affect the interests of the Owner of the 2010 Revenue Bond; and

(7) for any other purpose that does not materially and adversely affect the interests of the Owner of the 2010 Revenue Bond.

Section 9.02. Effect of Supplemental Trust Agreement. From and after the time any Supplemental Trust Agreement becomes effective pursuant to this Article, this Trust Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement of the Authority, the Trustee and the Owner of the 2010 Revenue Bond shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of this Trust Agreement for any and all purposes.

Section 9.03. Endorsement of 2010 Revenue Bond; Preparation of New 2010 Revenue Bond. The 2010 Revenue Bond delivered after any Supplemental Trust Agreement becomes effective pursuant to this Article may, and if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Trust Agreement, and, in that case, upon demand of the Owner of the 2010 Revenue Bond at the time of such execution and presentation of the 2010 Revenue Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on the 2010 Revenue Bond. If the Supplemental Trust Agreement shall so provide, a new 2010 Revenue Bond so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Trust Agreement, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owner of the 2010 Revenue Bond shall be exchanged at the Principal Corporate Trust Office, without cost to the Bondholder, for the 2010 Revenue Bond then Outstanding, upon surrender for cancellation of the 2010 Revenue Bond, in equal aggregate principal amounts of the same tenor and maturity.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Trust Agreement. The 2010 Revenue Bond may be paid by the Authority in any of the following ways:

(i) by paying or causing to be paid the principal of and interest on the 2010 Revenue Bond, as and when the same become due and payable;

(ii) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay the 2010 Revenue Bond, such money or securities to be deposited in a special fund which the Trustee shall establish, maintain and hold in trust and shall designate as the “2010 Revenue Bond Escrow Fund;” or

(iii) by delivering to the Trustee, for cancellation by it, the 2010 Revenue Bond.

If the Authority shall pay the Outstanding 2010 Revenue Bond and also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Trust Agreement), and notwithstanding that the 2010 Revenue Bond shall not have been surrendered for payment, this Trust Agreement and the pledge of Pledged Funds made under this Trust Agreement and all covenants, agreements and other obligations of the Authority under this Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to this Trust Agreement which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants, are not required for the payment of the 2010 Revenue Bond not theretofore surrendered for such payment.

Section 10.02. Discharge of Liability on 2010 Revenue Bond. Upon the deposit with the Trustee, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay the 2010 Revenue Bond, then all liability of the Authority in respect of the 2010 Revenue Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and interest on the 2010 Revenue Bond, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04 and the continuing duties of the Trustee hereunder including, without limitation, the provisions of Section 2.05 and Section 5.11.

The Authority may at any time surrender to the Trustee for cancellation by it the 2010 Revenue Bond, which the Authority may have acquired in any manner whatsoever, and the 2010 Revenue Bond, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Trust Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay the 2010 Revenue Bond, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Agreement and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of the 2010 Revenue Bond and all unpaid interest thereon to maturity; or

(ii) Investment Securities described in [clause (i)] of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee (upon which opinion the Trustee may conclusively

rely), provide money sufficient to pay the principal of and all unpaid interest to maturity on the 2010 Revenue Bond to be paid, as such principal and interest become due; provided that the Trustee shall have been irrevocably instructed (by the terms of this Trust Agreement or by Request of the Authority) to apply such money to the payment of such principal and interest with respect to the 2010 Revenue Bond.

Section 10.04. Payment of the 2010 Revenue Bond After Discharge of Trust Agreement. Any moneys held by the Trustee in trust for the payment of the principal of, or interest on, the 2010 Revenue Bond and remaining unclaimed for two (2) years after the principal of the 2010 Revenue Bond has become due and payable, if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when the 2010 Revenue Bond became due and payable, shall, upon Request of the Authority, be repaid to the Authority free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease. All moneys held by or on behalf of the Trustee for the payment of principal of or interest on the 2010 Revenue Bond shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners for any interest earned on, moneys so held, such interest to be paid to the Authority.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Pledged Funds. Notwithstanding anything in this Trust Agreement or in the 2010 Revenue Bond contained, the Authority shall not be required to advance any moneys derived from any source other than the Pledged Funds for any of the purposes in this Trust Agreement mentioned, whether for the payment of the principal of or interest on the 2010 Revenue Bond or for any other purpose of this Trust Agreement. The Authority, may, however, but shall not be required to, advance funds for any such purpose as long as such funds of the Authority shall be legally available for such purpose.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Trust Agreement either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Authority, Trustee and Bondholder. Nothing in this Trust Agreement or in the 2010 Revenue Bond expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee and the Owner of the 2010 Revenue Bond, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, and the Owner of the 2010 Revenue Bond.

Section 11.04. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.05. Destruction or Delivery of Cancelled 2010 Revenue Bond. Whenever in this Trust Agreement provision is made for the cancellation by the Trustee and the delivery to the Authority of the 2010 Revenue Bond, the Trustee may, in its sole discretion, in lieu of such cancellation and delivery, destroy the 2010 Revenue Bond (in the presence of an Authorized Representative of the Authority, if the Authority shall so require), and deliver a certificate of such destruction to the Authority.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Trust Agreement or in the 2010 Revenue Bond shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Trust Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have adopted this Trust Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2010 Revenue Bond pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Except as otherwise provided herein, for the purposes hereof, any notice, consent, request, requisition, direction, certificate or demand or other communication may be served or presented, and such notice or demand may be made and shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class postage prepaid, in a post office letter box, addressed, as the case may be, to the parties as follows:

Authority: San Francisco Bay Area Water Emergency
Transportation Authority
Pier 9, Suite 111, The Embarcadero
San Francisco, CA 94111
Attention: Executive Director
Telephone: (415) 291-3377
Fax: (415) 291-3388

Trustee: U.S. Bank National Association
[_____]
Los Angeles, CA [_____]
Attention: [_____]
Telephone: [_____]
Fax: [_____]

Initial Holder (MTC): Metropolitan Transportation Commission
101 Eighth Street
Oakland, CA 94607
Attention: Chief Financial Officer
Telephone: (510) 817-5730
Fax: (510) 817-5848

Any such communication may also be sent by facsimile or other electronic means, receipt of which shall be confirmed. Any party may change its address by notice to each other party.

Section 11.08. Evidence of Rights of Bondholder. Any request, consent or other instrument required or permitted by this Trust Agreement to be signed and executed by the Bondholder shall be signed or executed by such Bondholder in person or by an agent duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of the 2010 Revenue Bond transferable by delivery, shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of the 2010 Revenue Bond shall be proved by the registration books held by the Trustee. The Trustee may establish a record date as of which to measure consent of the Owner in order to determine whether the requisite consents are received.

Any request, consent, or other instrument or writing of the Owner of the 2010 Revenue Bond shall bind every future Owner of the 2010 Revenue Bond and the Owner of every 2010 Revenue Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 11.09. Reserved.

Section 11.10. Money Held for the 2010 Revenue Bond. The money held by the Trustee for the payment of the interest or principal due on any date with respect to the 2010 Revenue Bond shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owner of the 2010 Revenue Bond, subject, however, to the provisions of Section 10.04.

Section 11.11. Funds and Accounts. Any fund required by this Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of

such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the industry, to the extent practicable, and with due regard for the protection of the security of the 2010 Revenue Bond and the rights of the Holder thereof.

Section 11.12. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement.

All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 11.13. Waiver of Personal Liability. No Board member, officer, agent or employee of the Authority or the Trustee shall be individually or personally liable for the payment of the principal of or interest on the 2010 Revenue Bond or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of the Authority or the Trustee from the performance of any official duty provided by law or by this Trust Agreement.

Section 11.14. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 11.15. Business Day. Any payments or transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day.

Section 11.16. Effective Date of Trust Agreement. This Trust Agreement shall take effect upon its execution and delivery.

Section 11.17. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement by their officers thereunto duly authorized as of the day and year first written above.

SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION
AUTHORITY

By _____
Executive Director

Attest:

By _____
Board Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

Exhibit A

[Form of 2010 Revenue Bond]

No. R-____ \$_____

**SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION
AUTHORITY REVENUE BOND, SERIES 2010**

Rate of Interest ____%	Dated Date Date of Issuance	Maturity Date _____	CUSIP _____
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Registered Owner: Cede & Co.

Principal Amount: _____

[TO COME]

SAN FRANCISCO BAY AREA WATER
EMERGENCY TRANSPORTATION
AUTHORITY

By _____
Executive Director

Attest:

By _____
Attorney

Unless this 2010 Revenue Bond is presented by an authorized representative of The Depository Trust Company, a New York Corporation (“DTC”), to the Authority or to the Trustee for registration of transfer, exchange or payment, and the 2010 Revenue Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC) ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

[FORM OF CERTIFICATE OF AUTHENTICATION]

This 2010 Revenue Bond is the 2010 Revenue Bond described in the within-mentioned Trust Agreement, which 2010 Revenue Bond has been authenticated the date set forth below.

Date of Authentication: _____

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered 2010 Revenue Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Signature

Notice: The signature on this Assignment must correspond to the name as written on the face of this 2010 Revenue Bond in every particular, without any alteration or change whatsoever.

Dated: _____

Signature Guaranteed by:

NOTE: Signature must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer
Identification Number or Other
Identifying Number of Assignee: _____

Exhibit B

[Form of Requisition--Project Account]

REQUISITION NO. ____

[TO COME]

Exhibit C

[Form of Requisition--Costs of Issuance Account]

**REQUISITION NO. _____
[TO COME]**

Exhibit D

[Form of Requisition—Surplus Fund]

**REQUISITION NO. _____
[TO COME]**

Exhibit E

[Form of Certificate of Purchaser or Transferee]

[TRUSTEE]

[AUTHORITY]

[OWNER]

San Francisco Bay Area
Water Emergency Transportation Authority
Revenue Bond, Series 2010

Ladies and Gentlemen:

The undersigned is the purchaser of \$_____ principal amount of the above listed Bond (the “Bond”) issued pursuant to a Trust Agreement dated as of July 1, 2010 (the “Trust Agreement”), by and between the Water Emergency Transportation Authority (the “Authority”) and U.S. Bank National Association. The undersigned hereby represents and warrants to you that:

1. The Undersigned is a Qualified Institutional Buyer as defined in Section 144(A) of the Securities Act of 1933, as amended (the “Act”).
2. The Undersigned has duly authorized, by all necessary action the execution and delivery of this letter.
3. The Undersigned has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other obligations, to be able to evaluate the risks and merits of the investment represented by the Bond. The Undersigned is able to bear the economic risks of such investment.
4. The Undersigned understands that the obligations of Authority to make payments under the Trust Agreement are special, limited obligations payable primarily from (i) certain amounts allocated to the Authority by the Metropolitan Transportation Commission, a regional transportation commission duly established and existing pursuant to Sections 66500 *et seq.* of the California Government Code (“MTC”), pursuant to Section 30914(d) of the California Streets and Highways Code, and (ii) from certain amounts transferred to the Authority by the City of South San Francisco (the “City”), pursuant to (a) the 2004 San Mateo County Transportation Ordinance and Expenditure Plan (“Measure A”), approved by voters in San Mateo County on November 2, 2004, and (b) that certain Three Party Agreement Regarding Distribution and Use of San Mateo County Measure A Funds for Ferry Service Between South San Francisco and Oakland, dated July 15, 2009 (the “Three Party Agreement”) by and among the Authority, the City and the San Mateo County Transportation Authority, and that notwithstanding anything to the contrary contained in the Trust Agreement, the Authority shall not be obligated to make debt service payments, or pay any portion of the costs of the Project or make any other payment or advance any moneys or be liable for any other costs or expenses in connection with the Project, the debt service payments or the Bond, except from the amounts transferred to the Authority or

to the Trustee on the Authority's behalf from payments made by MTC and the City, and no such payment shall constitute a charge against the general credit of the Authority. We further understand that the Authority shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Authority to make the debt service payments or any portion of the costs of the Project or for all or any portion of such other costs or expenses.

5. The Undersigned acknowledges that it has either been supplied with or has been given access to information, including financial statements and other financial information which were requested from the Authority, and has had the opportunity to ask questions and receive answers concerning the Authority, the Trust Agreement, the payments and the security therefor, so that the Undersigned has been able to make the decision to purchase the Bond. The Undersigned acknowledges that it has not relied upon the Authority for any information in connection with the Bond.

6. The Undersigned has made its own inquiry and analysis with respect to the Bond and the security therefor, and other material factors affecting the security and payment of such Bond. The Undersigned is aware that the activities of Authority involve certain economic variables and risks that could adversely affect the security for the Bond. The Undersigned has examined the legal documents relating to the Bond.

7. The Undersigned understands that the Bond (a) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service, and (d) may be delivered in a form which may not be readily marketable.

8. The Undersigned understands that the Bonds have not been registered under the Securities Act of 1933, as amended. The Undersigned represents to you that we are purchasing the Bond for investment for our own account and not with a present view toward resale or the distribution thereof, in that we do not intend to resell or otherwise dispose of all or any part of the Bond, except for sale to a Qualified Institutional Buyer. Except for a transfer to a Qualified Institutional Buyer, we agree not to sell, transfer or otherwise dispose of the Bond or our interest therein.

9. The Undersigned agrees to indemnify and hold harmless the Authority with respect to any claim asserted against the Authority that is based upon our sale, transfer or other disposition of the Bonds, other than any claim that is based upon the gross negligence or willful misconduct of the Authority.

[NAME OF TRANSFEREE/PURCHASER]

By _____
Authorized Officer

SCHEDULE I

SCHEDULE OF RM2 OPERATING REVENUE TRANSFERS

<u>Month and Year</u>	<u>Deposit to Interest Account</u>	<u>Deposit to Principal Account</u>
	\$ _____	\$ _____

Attachment 3

BOND DEBT SERVICE

San Francisco Bay Area Water Emergency Transportation Authority
Revenue Bond Series 2010
Non-Rated, Non-Transferable Taxable Bond
PRELIMINARY

Period Ending	Principal	Rate	Interest	Debt Service	Annual Debt Service
8/3/2010 Bond Issue					
12/1/2010		5.90%	198,223.61	198,223.61	
6/1/2011	3,417,000	5.90%	302,375.00	3,719,375.00	3,917,598.61
12/1/2011		5.90%	203,049.00	203,049.00	
6/1/2012	3,417,000	5.90%	203,049.00	3,620,049.00	3,823,098.00
12/1/2012		5.90%	103,722.00	103,722.00	
6/1/2012	3,416,000	5.90%	103,722.00	3,519,722.00	3,623,444.00
Total	10,250,000		1,114,140.61	11,364,140.61	11,364,140.61

MEMORANDUM

TO: Board Members

**FROM: John Sindzinski, Manager, Planning & Development
Nina Rannells, Executive Director**

SUBJECT: Update on Central Bay Maintenance and Operations Facility

Recommendation

This is an informational item and does not include a recommendation for Board action.

Background/Discussion

Staff is currently developing a project to construct a WETA maintenance and operations facility at Alameda Point, in Alameda, CA. This facility would be used to berth, service, and repair ferry vessels being utilized on existing central bay WETA routes, including Alameda/Oakland and Harbor Bay services, as well as vessels supporting future services from South San Francisco-to-Oakland and Berkeley-to-San Francisco.

Potential sites in Richmond, San Francisco, and Alameda were considered for this project. Staff concluded that the Alameda site at Alameda Point adjacent to property currently leased by MARAD in Alameda was the most feasible location, based on discussions with respective landowners for each site and preliminary assessments by ICF International (formerly Jones + Stokes), the firm awarded a contract by the Board in May 2008 to provide environmental review services for this project.

ICF International is currently preparing the environmental assessment required to proceed with permitting and construction of this project at the Alameda Point site. The completion of the environmental assessment will require development of a concept design. KPFF, the firm awarded a contract by the Board in November 2009 to provide conceptual design services for this project, has recently submitted a concept design that was prepared in coordination with WETA staff and will be presented to the Board as part of this agenda item.

END